Stewardship and responsible investment report 2024

Responsible experts with focus – transparent and resilient in our approach and outcomes

ROYAL LONDON
ASSET MANAGEMENT

In this report

Published: 29 April 2025

All data correct as at 31 December 2024 unless stated otherwise.

2024 highlights

Ethical AI

We launched a new ethical artificial intelligence (AI) engagement programme to address the ethical and sustainability challenges posed by AI's rapid rise, pushing for companies to adopt responsible, transparent and unbiased practices.

Just adaptation

We expanded our focus from a just transition to just adaptation, urging companies to consider how their climate resilience plans can minimise harm, maximise benefits and incorporate fair decision making for all affected stakeholders.

Property

We made our first natural capital investment in 21,000 acres of prime UK farmland, allowing us to protect its biodiversity for future generations, uncover nature-based solutions and diversify our clients' property exposure.

UK remuneration

We voted on 884 UK companies' proposed changes to executive pay, analysing each proposal on its merit and voting *for* those we deemed clear, fair and globally competitive.

Secured lending

Across our sustainable fund range, we invested in several residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) that offer societal benefits.

About us

At Royal London Asset Management, we do things a little differently.

We take a distinct approach to active management. As an integral part of customer-owned mutual Royal London, we're free from short-term shareholder demands. Instead, we put our clients at the heart of what we do, using a longer-term perspective to generate investment returns.

It's a different pressure to perform and we thrive on it. As active long-term investors, we seek to create solutions with the right balance of risk and return. Our consistent track record across asset classes speaks for itself.

We are independent, responsible investors. Entrusted with other people's money, we embrace the influence we have as stewards of our clients' capital for the mutual benefit of them and wider society. We are dedicated to delivering for our clients around the world. Building a better future, together.

It's asset management excellence with a longer-term perspective.

INSURANCE ASSET RISK AWARDS 2024
Responsible investor of the year – asset manager

In February 2024, Royal London Asset Management won Responsible Investor of the Year – Asset Manager at the Insurance Asset Risk Awards 2024.

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.

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 vision and strategy

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.

Our investment principles

DIFFERENTIATED ACTIVE APPROACH
Open-minded, independent and long term

DISTINCT CULTURE
Empowered teams, expert central functions

TRUSTED STEWARDS
Passionate about responsible investment

PURPOSE DRIVEN
Doing the right thing, building a better future

Investment principles in action

Our principles are a reflection of our differentiated approach to investing actively for the benefit of our clients.

These principles are 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 so that it is more effective and helps produce better outcomes
- deliver sustainable financial returns but also seek to provide enduring benefits for the economy, the environment and society as a whole.

This report showcases examples of how we have done this in practice – using our voice, experience and voting rights to act as powerful stewards for our clients.

What makes us different

As part of a customer-owned mutual we put our clients at the heart of what we do, using a longer-term perspective to generate investment returns.

A broad asset management proposition

£55.3bn

managed for external clients

We provide a wide range of investment strategies. These include strategies such as equities, fixed income, cash, property, multi asset, absolute return and a long-established range of sustainable investment strategies. We offer active investment management services to a wide range of clients, including our parent – Royal London – as well as corporate pension schemes, local authorities, insurance companies, endowments, charities, universities and various financial intermediaries.

See more on page 113

Expertise in active management

Our investment teams have distinct approaches within a framework of common investment principles. Our culture is collegiate, based on empowered, autonomous teams that are analysis-driven and evidence-led, supported by expert central functions. Each team operates a differentiated active approach designed to build diversified portfolios to exploit market inefficiencies and maximise long-term risk-adjusted returns. This is underpinned by robust risk management.

4

investment principles guide our approach

See more on page 2

Harnessing the expertise of our Responsible Investment team

We believe that well-managed companies make better investments. For over two decades, we have been pioneering our approach, integrating ESG criteria into traditional financial analysis and assessing how these may affect investment performance. This was long before it became mainstream in asset management. Our Responsible Investment team, comprising sustainability and ESG specialists, collaborates closely with our investment teams. Together, they consider ESG factors in our investment processes, consult on proxy voting and aim to drive improvements in the companies we invest in. We describe our approach to responsible investment in depth from page 9.

20

dedicated responsible investment colleagues

See more on pages 9-18

Actively influencing the companies we invest in

464

companies engaged in 2024

ESG factors increasingly influence asset prices and are of growing importance for our investors. As such, we engage with the companies we invest in, covering a spectrum of activities from voting at company meetings to addressing issues like executive pay, cyber security and climate adaptation. This comprehensive approach to engagement and stewardship reflects our commitment to serving our clients' interests and promoting positive outcomes for society and the environment.

See more on page 11

We are driven by our shared Purpose

As part of the Royal London Group – the UK's largest mutual life, pensions and investments company[1] – we are driven by our shared Purpose: *Protecting today, investing in tomorrow. Together we are mutually responsible.* This drives the Group's strategy, shapes its culture and informs its long-term response to trends that influence members, customers, clients, intermediaries and the world around us.

Read more in Royal London Group's Annual Report and Accounts 2024

Top 30

Royal London is one of the top 30 mutuals globally

[1]Based on total 2022 premium income. ICMIF Global 500, 2024.

A responsible employer

Being a responsible investor extends beyond our engagement with our portfolio companies to how we conduct ourselves. A key element in our success as a business is an effective approach to diversity and inclusion. We focus on attracting the best talent with aligned values and goals – and being a fair, diverse and inclusive employer is crucial to this. Our support for initiatives like the Women in Finance Charter, of which Royal London is a signatory, reflects our ongoing commitment.

4

inclusion networks to advance diversity

See more on page 113

Foreword

Hans Georgeson
Chief Executive Officer

"Responsible investment is a significant part of our history and a vital element of our future."

At Royal London Asset Management, responsible investment is a significant part of our history and a vital element of our future. As an integral part of the UK's largest life, pensions and investment mutual Royal London, being a responsible investor is a natural fit for us. This mutual heritage allows us to take a long-term investment approach and means we take a broader view, recognising our role within the financial landscape and wider society, rather than acting as dispassionate observers.

2024 saw a change in the perception of responsible investment. For much of the previous decade, we saw a constant growth in interest in this area. However, last year was one where interest was driven by increasing politicisation and polarisation on opinions of ESG. Many investors and companies were under pressure regarding their choices around ESG, whether these truly were embedded in their thinking and what value these added.

Despite the changing geopolitical landscape, I am pleased to say we remain committed to our beliefs that better-run companies make better long-term investments. This belief underpins our commitment to being trusted stewards of our clients' assets, a role that aligns with the strategic aims of our parent, Royal London.

We do expect this politicisation to continue into 2025 and potentially beyond. Despite this, some regulators demonstrated their commitment to ESG and sustainable finance, with a particular interest in preventing 'greenwashing' and supporting customers in making clearer choices. In 2024, we implemented the UK's Sustainability Disclosure Requirements (SDR), paralleling the EU's Sustainable Finance Disclosure Regulation (SFDR). We support this move and its aim of enhancing the transparency of sustainability claims, in turn helping customers make better-informed investment decisions. We were pleased that in April 2025, eight of our funds achieved a Sustainability Focus label.

We welcome the steps to becoming a more transparent industry and believe that effective stewardship and responsible investment helps society and can produce better results for our clients.

We also recognise the opportunities in this area. That's why we will continue to evolve our approach, investing in our people and infrastructure as we play our part in moving fairly to a sustainable world. We acknowledge the changing geopolitical background but remain committed to being trusted stewards of our clients' assets. We also acknowledge that there are limitations to what we can do, which is why transparency is key.

This report provides an overview of how we aim to promote best practice on various ESG issues, try to improve company behaviours and meet client expectations. I hope you find it interesting and informative.

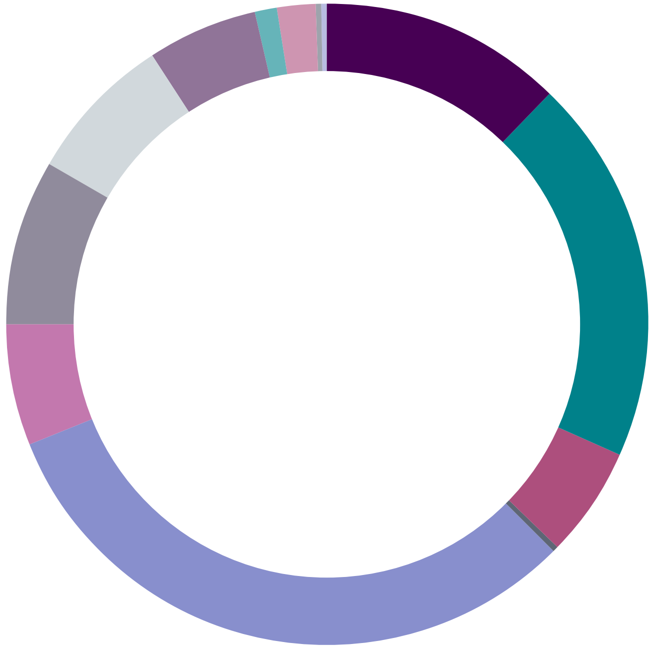
Assets under management

£173bn

assets across all major asset classes

Value correct as at 31 December 2024

Total of assets actively managed by Royal London Asset Management



Global equity	12.3%
Quantitative equity solutions	19.4%
UK equity	5.7%
Private equity	0.3%
Credit	31.4%
Leveraged finance	5.9%
Rates and cash	8.6%
Sustainable investing	7.3%
Property	5.5%
Multi asset*	1.3%
Commodities	2.0%
Derivatives	0.4%
Private debt	0.01%

Subject to rounding
Value correct as at 31 December 2024

* See page 105 for a full breakdown of our multi assets

Introduction

Piers Hillier
Chief Investment Officer

"We remain committed to being trusted stewards and enhancing value for our clients."

Why does responsible investment or building ESG factors into investment decisions produce better outcomes? It's a valid question. The simple answer is not to be idealistic, but realistic.

As stewards of our clients' money, when we invest in a company, we want to not only research why we think it could be profitable but also identify risks to that view. Paraphrasing Martin Foden, our Head of Credit Research, it's not proper research unless you include everything, not just the bits you like. When it comes to the wider issue of being a positive force for change and best practice, it can require different approaches.

Firstly, frameworks agreed by governments help drive change at a macro level and many ESG issues require global solutions. That's why we work collaboratively with other firms to influence government policy.

The challenges of influencing policy, however, are significant. Climate change is an example which requires a global response and comprises much of our advocacy work. Over the past year or so, we have also seen ESG becoming more politicised with many challenging the benefits of pursuing ESG outcomes.

Whilst it would be easy to draw the conclusion that we should reduce efforts here or at the very least tone down our messaging to avoid scrutiny, we recognise the value of ESG and do not see it as something as simple as a concept to believe in or not.

Secondly, while we can look at economies or issues in aggregate, we are also encouraging change at a more granular level. We collaborate with and support companies in a wide range of sectors to create, refine and progress their responses to a range of topics.

To stick with climate – one area of focus is the publication and evolution of robust climate transition plans. We are working with companies to adjust their business models for a low-carbon economy, something which is essential in our view. We believe that action to address climate change will benefit society, but should simultaneously be approached in a way that avoids or mitigates the negative human impact of a transition. Our work on just transition is therefore key, helping smooth the path to a net zero world.

These challenges and actions illustrate why we think that being pragmatic in our approach will produce better long-term returns. These are complex areas, and although some effects will be seen in 2025, others won't be seen until the 2030s and beyond – but the changes will come.

Sometimes investors will agree with us. Sometimes they won't. But we remain committed to being trusted stewards and enhancing value for our clients. As such, we aim to take actions that we think will help lead to better returns and a better society, and just as importantly to be transparent about those actions. This way, investors can make informed decisions about whether to entrust us with their investments.

This report covers a wide range of our activities during 2024. We hope you find it interesting and look forward to updating you further on our activities throughout 2025.

A track record of active investing

1988
Royal London Asset Management was created

1990
Cooperative Asset Management launched **first environmental fund**

1999
Cooperative Asset Management adopted new **sustainable investment research process** and launched more funds

2002
Cooperative Asset Management published first **voting record online**

2008
Became a signatory to the UN-supported **Principles for Responsible Investment** (PRI)

2012
Signed up to the **Financial Reporting Council (FRC) Stewardship Code**

2014
Acquired Cooperative Asset Management, including its **sustainable fund range** and in-house team of **responsible investment experts**

2014
Published first **Stewardship Statement**

2015
Centralised proxy voting under one team and issued **new Proxy Voting Policy**

2016
Independent Responsible Investment function created, reporting to the Chief Investment Officer

2017
Launched two global equity funds that integrate environmental, social and governance (ESG) issues into investment decisions

Launched Emerging Markets ESG Tracker Fund

2019
Significant growth of the central Responsible Investment team. Recruited a senior climate and engagement role and two governance analysts

2020
Published first Task Force on Climate-related Financial Disclosures (TCFD) report

Launched a UK Sustainable Equity Fund

2021
Launched two EU Sustainable Credit Funds

Transitioned a range of passive equity funds to active ESG and lower carbon tilt funds

Became signatories of the FRC's 2020 Stewardship Code

2022
Published target disclosure on Net Zero Asset Managers (NZAM) initiative

Launched an EU Sustainable Finance Disclosure Regulation (SFDR) Article 8 transitions fund

Launched two UK sustainable funds

Converted one of our cash funds to an Article 8 fund under EU SFDR

2023
Launched two Tilt tax transparent funds (TTFs)

Launched two EU SFDR Article 8 emerging market funds in our Leveraged Finance range

2024
Converted emerging market ESG index equity fund to a lower-carbon ESG tilted fund

Eight UK domicile funds classified non-labelled funds with ESG characteristics under FCA's Sustainability Disclosure Requirements (SDR) and Investment Labels Regime

* Not all funds are available in all jurisdictions.

Our approach

Ashley Hamilton Claxton
Head of Responsible Investment

"We recognise that different clients have different priorities – which means transparency is a key element of our approach."

Meeting the challenge, together

Benefitting 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. As part of a mutual group, responsible investment is a natural fit and a key element in delivering our Group's Purpose – *Protecting today, investing in tomorrow. Together we are mutually responsible.*

We believe we have a strong track record in this area. We were among the first signatories of the United Nations-supported Principles for Responsible Investment, launched our sustainable fund range more than two decades ago, and have an established track record in voting and engagement – using our voice and voting rights to act as stewards of our clients' investments.

For our investment teams, being a responsible investor means integrating environmental, social and governance (ESG) factors into our active investment decisions. We tailor this approach to consider the nuances of the assets we manage. Responsible investment and stewardship can mean different things to different investors. That's why we emphasise transparency – talking with our clients to ensure we understand their priorities and that they know what our approach is delivering.

We believe that effective responsible investment helps society and produces better results for our investors.

It's asset management excellence with a longer-term perspective.

Our approach *continued*

As responsible investors and good stewards of our clients' capital, we actively promote strong governance and forward-thinking ESG practices. We make well-informed, long-term investment decisions based on comprehensive research, analysis and evidence across our investment management practices.

Our engagement, research, voting and advocacy help add value and meaning to our investment decisions and, over the long term, deliver better outcomes for our clients and customers.

Navigating increasing complexity

We help our clients navigate regulatory complexities and consumer demands for transparency. We collaborate with governments, regulators and stakeholders to tackle ESG challenges in the best interest of our clients.

Providing the tools to make better decisions

We continuously refine our practices and invest in people and tools to evolve our ESG practices and improve integration across asset classes. Working with our investment teams, our responsible investment experts share knowledge, analytical tools and governance practices to help manage risks and capitalise on opportunities, particularly in the face of systemic ESG challenges like climate change and social inclusion.

Four core practices drive our stewardship

ENGAGEMENT

Building a better future, together

2024 FOCUS:

Net zero, just transition, mental health, corporate governance, biodiversity

RESEARCH

Adapting to a new landscape and exploring new ideas

2024 FOCUS:

Measuring sustainability outcomes and developing tools to analyse biodiversity challenges

VOTING

Using our voice as shareholders

2024 FOCUS:

Reviewing and consolidating our voting policy and deep analysis of climate votes

ADVOCACY

Channelling our expertise and advice

2024 FOCUS:

Advice on new fund labels in the UK, supporting voting transparency, setting climate reporting standards

Our voting, engagement, research and advocacy help add value and meaning to our investment decisions. How we apply these may differ based on the fund or investment solution approach. For details please refer to the fund prospectus or product materials.

Engagement

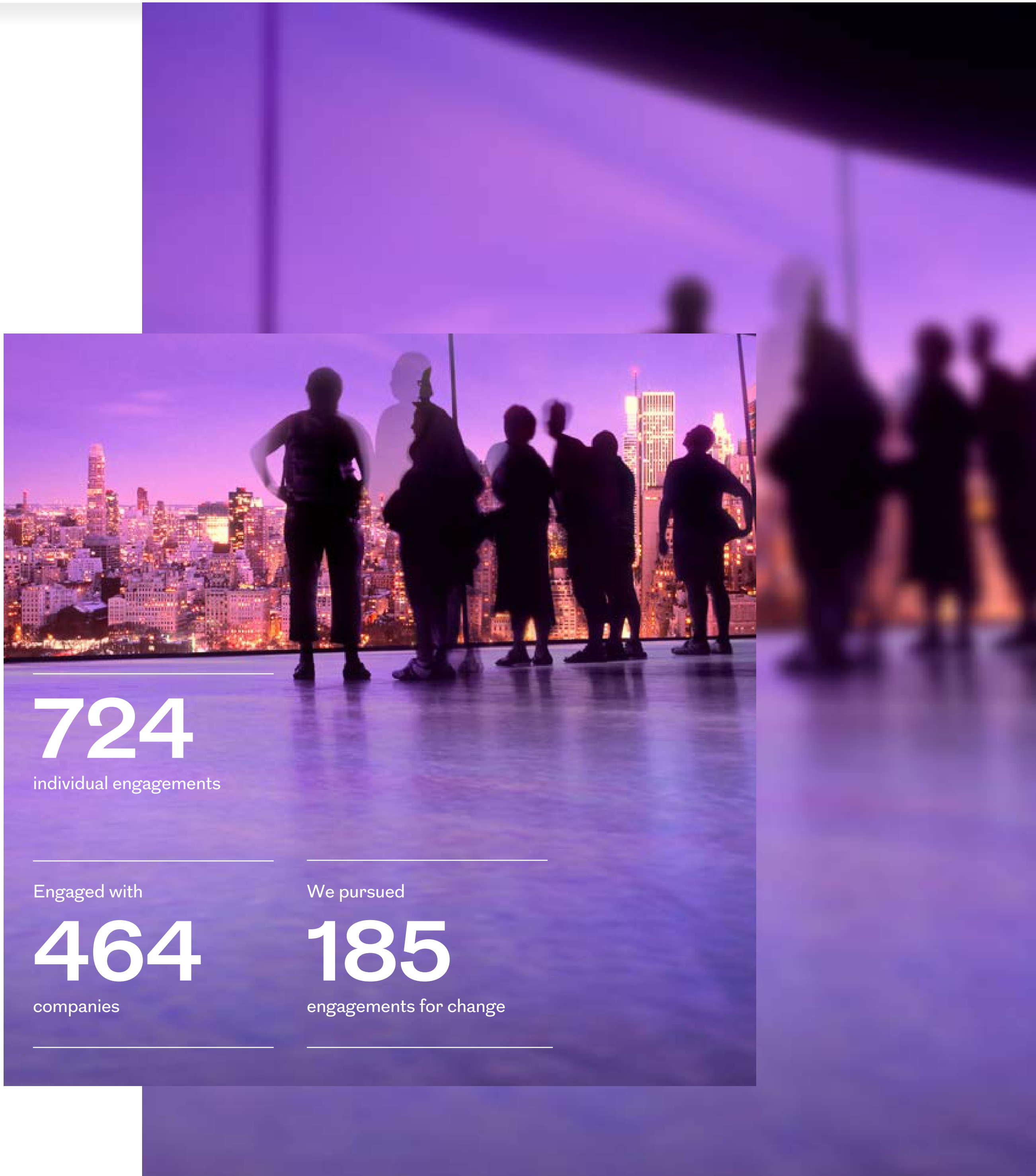
As an active asset manager with a long-term view, we work closely with our clients to address the issues that matter most to them. We regularly engage with the companies in which we invest on ESG issues, which can have a positive effect on corporate behaviour over time. We expect to improve corporate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

Highlights

- Joined World Benchmarking Alliance on Ethical AI
- Initiated an engagement programme on sustainable and ethical AI
- Enhanced human rights data with Investor Initiative on Human Rights Data (IIHRD)
- Published guidance on antimicrobial resistance, just adaptation, just transition and cyber security.

Georgina Chiu
Senior Engagement Manager

"Our engagement efforts help us to proactively address climate change and emerging risks like ethical AI and antimicrobial resistance."



724
individual engagements

Engaged with
464
companies

We pursued
185
engagements for change

Engagement *continued*

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.

Throughout 2024, we actively focused our engagement efforts across our six key themes, with a strong emphasis on net zero, just transition, cyber security and biodiversity in the water sector.

Engaging for information

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

Collaborating for action

Recognising the importance of contributing to industry knowledge, we published investor expectations for a just transition in the banking sector, in collaboration with the Friends Provident Foundation and Border to Coast Pension Partnership. Additionally, we released industry guidance on stewardship and cyber security engagement for asset owners and other asset managers in partnership with Railpen.

We also collaborated with investors on emerging topics, such as the World Benchmark Alliance on Ethical Artificial Intelligence (AI) and the Investor Initiative on Human Rights Data to enhance human rights data from data providers.

Escalation

When companies are unresponsive to engagement or fail to address material risks, we may chose to escalate our concerns. Further information can be found on page 109.

Engagement milestones

We continued to focus our efforts on 'engagement for change,' seeking real world outcomes. We set objectives, and track and monitor progress over time. To aid this, we use the following milestones.

1

MILESTONE 1:
Concern raised with the company

2

MILESTONE 2:
The company acknowledges the concern as a serious matter worthy of a response

3

MILESTONE 3:
The company develops a credible strategy to achieve the engagement objective, or stretching targets are set to address the concern

4

MILESTONE 4:
The company implements a strategy or measures to address the concern

Research

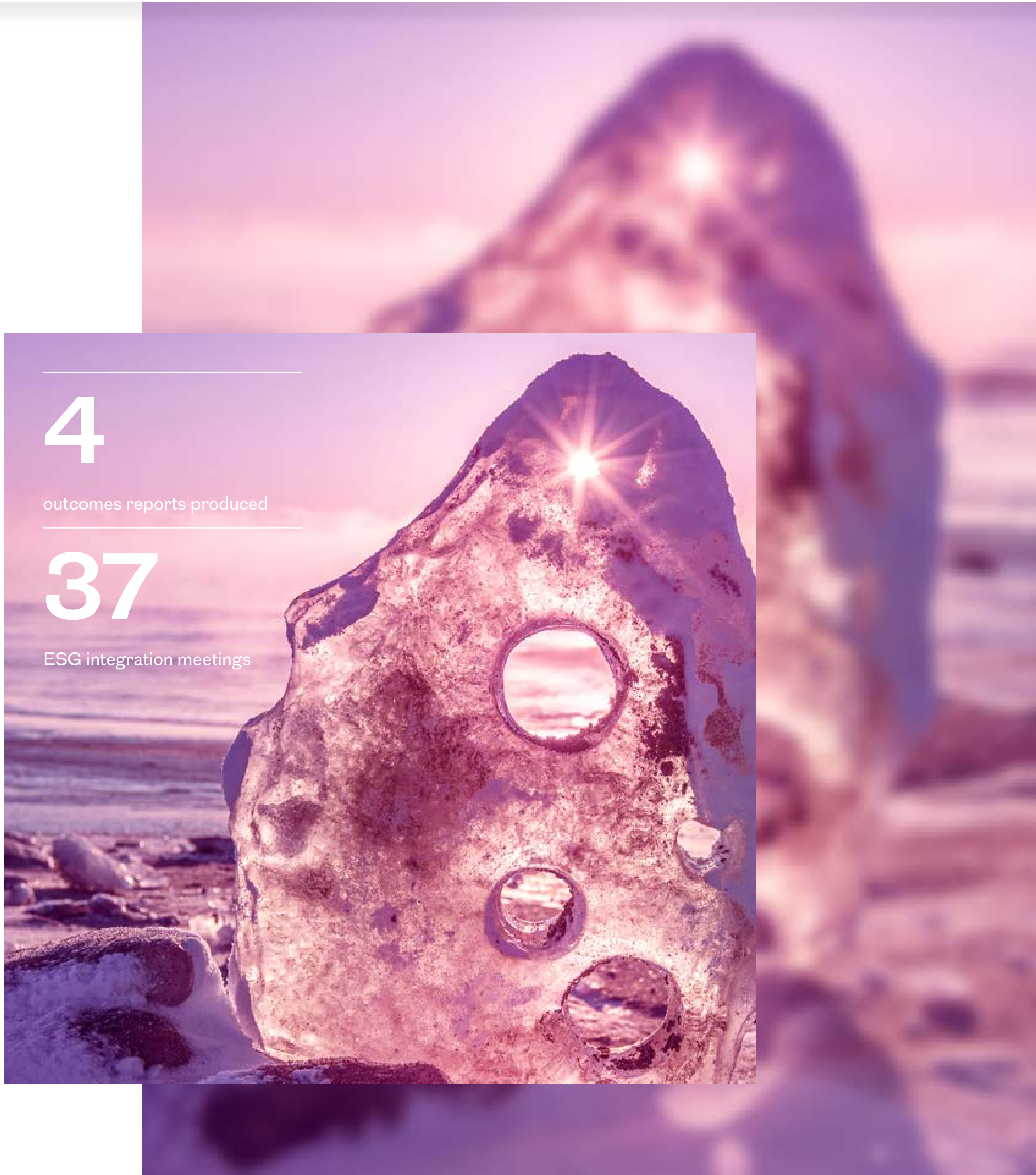
Off-the-shelf ESG information from third-party research providers rarely provides the nuance or context we need to add value to our investment process. Our in-house experts provide insight through regular ESG portfolio reviews, bespoke thematic research, company assessments, and reporting and analysis tools. These support both investment decision making and stewardship activities.

Highlights

- **Developed a proprietary biodiversity analysis tool**
- **37 ESG integration meetings reviewing risks and opportunities**
- **9 ESG reviews ahead of approving new trading counterparties.**

Eli Haroush
Head of ESG Research

"Leveraging data and advanced analytical tools is essential for in-depth analysis. It enables insights into ESG risks and inefficiencies, helping drive decisions and support better investment outcomes."



Research *continued*

Supporting investment process and stewardship activities

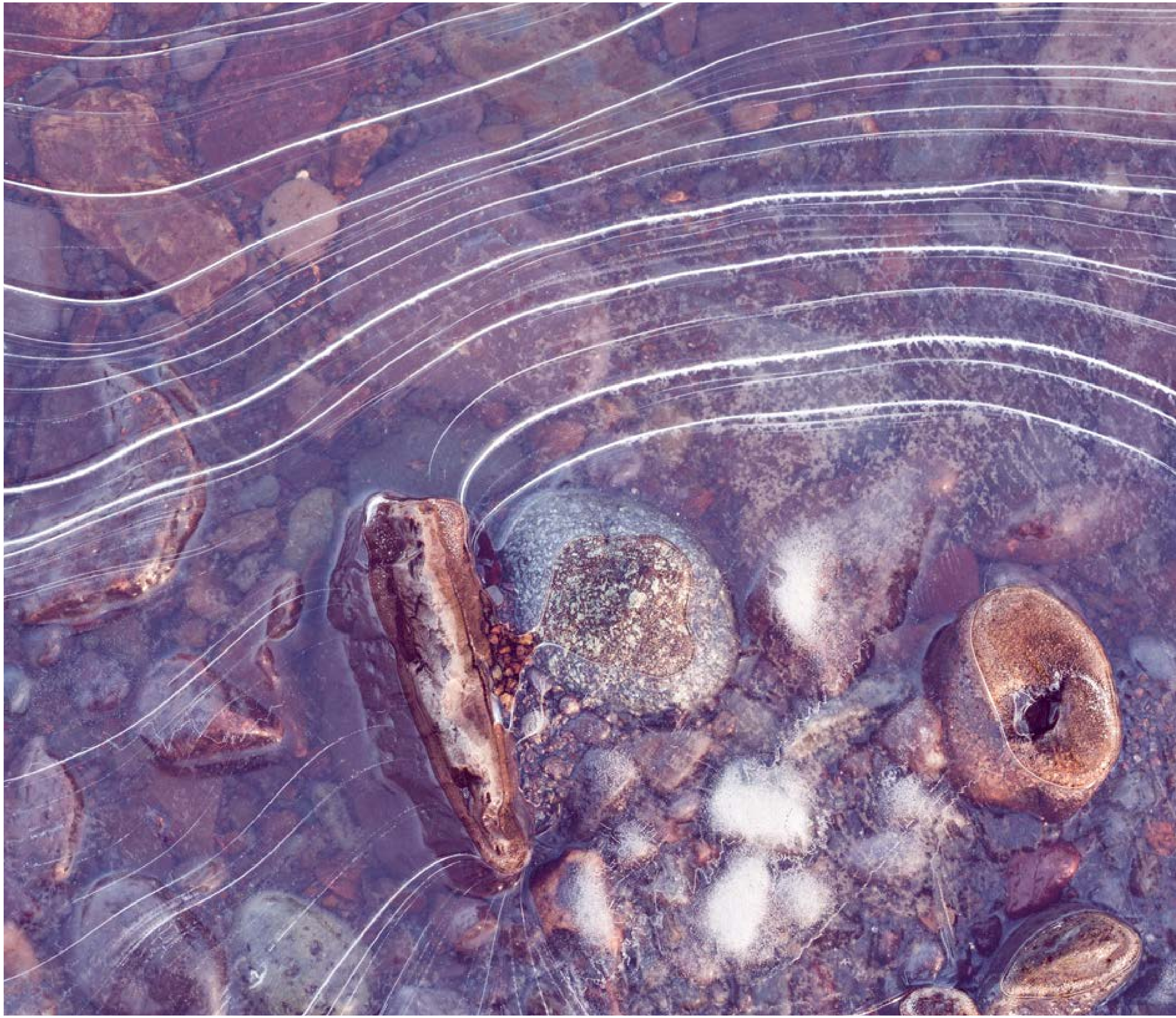
How investment teams use ESG research depends on the individual strategies and their objectives and approach. Our responsible investment and ESG experts meet regularly with investment teams to review and discuss the ESG risks and opportunities in fund holdings – covering the likes of governance, controversies or climate data. We also explore additional topical research, updates on company engagements and recent votes, enhancing the investment teams' awareness of emerging ESG trends and providing access to the latest information.

Tools and data

Our in-house research and proprietary tools prepare us well for the next evolution of ESG research and data. We expect significant advancements in data, particularly concerning standards and consistency. Improvements are expected in areas such as outcomes measurement, impact analysis and reporting, and biodiversity and nature. The growing demand for data is driven in part by global regulations related to sustainability and ESG labelling and disclosures. This is an area that has changed dramatically in recent years, and we expect the pace of change to increase even further.

One example of this is in the area of nature and biodiversity. The Taskforce on Nature-related Financial Disclosures (TNFD) released its disclosure requirements in September 2023. These build on the success of the Task Force on Climate-related Financial Disclosures (TCFD) in raising awareness of the effects of climate change. The TNFD aims to provide a framework for businesses and finance to integrate nature into decision making.

To help prepare us and our clients for future reporting and regulatory requirements, we are developing methodologies and data infrastructure to provide TNFD-related analysis, target setting and disclosures. These tools will also allow us to analyse companies' biodiversity-related data, their impact and dependencies on nature and the resulting financial risks and opportunities. Further information can be found on page 52.

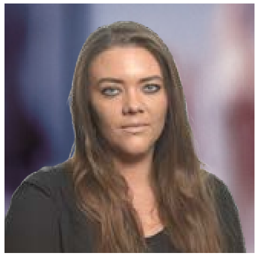


Voting

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.

Highlights

- Supported 43% of management climate proposals and 63% of shareholder climate proposals in 2024 (see page 35)
- Published our post-voting season report
- Continued to push for boardroom diversity, voting *against* 261 companies globally for poor performance (see page 51).



Sophie Johnson
Head of Governance and Voting

"Our approach is driven by our six defining voting principles, and the understanding that transparency is key for our clients and investee companies."

Voting *continued*

Significant votes

We consider all votes to be significant for the purposes of the EU Shareholder Rights Directive II (SRD II). We publicly disclose all our votes on our voting website. We include the rationale whenever we vote *against* management, including where we vote *for* or *abstain* on shareholder proposals. Where votes against management are in actively managed portfolios or of higher concern, we will send the company a voting engagement letter explaining our position.

The voting examples highlighted throughout this report are not exhaustive but are representative of our views and approach to a variety of topics.

- ✓ vote disclosure website
- ✓ voting guidelines

Our voting approach

Voting is informed by the positions set out in our voting guidelines. 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.

Advocacy

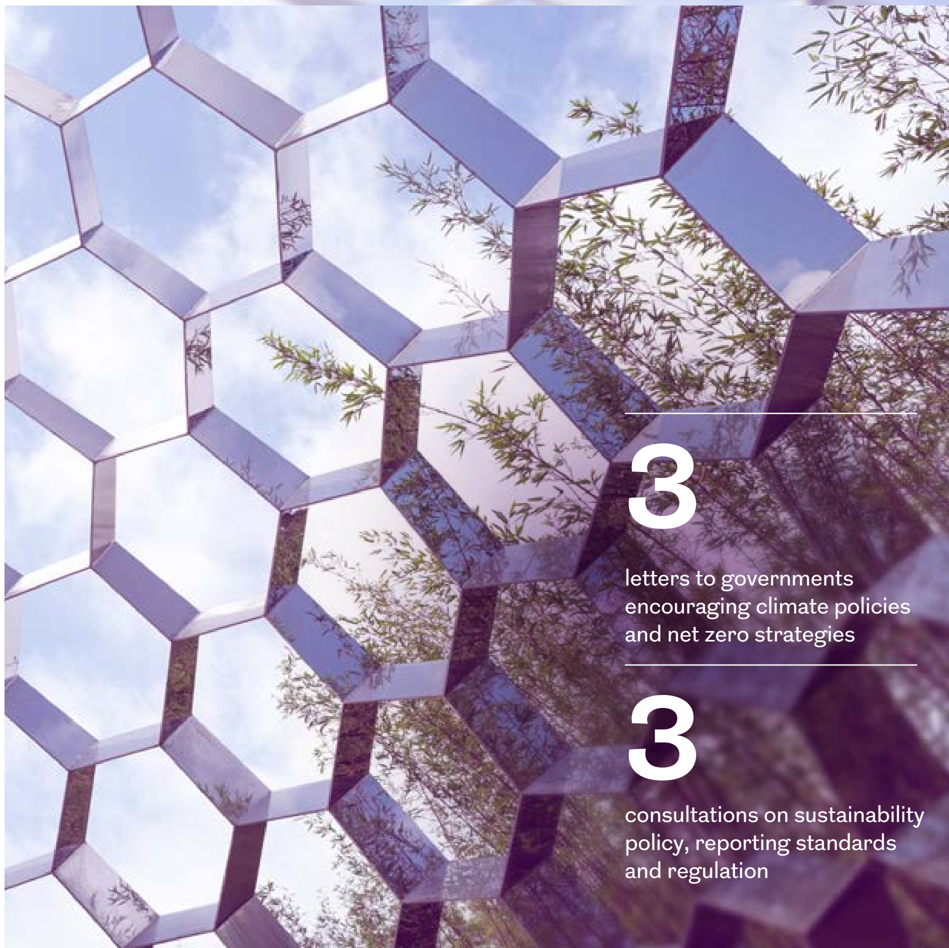
We collaborate with regulators, governments, standard setters and non-governmental organisations (NGOs) to advance responsible investment and good governance. As a UK-based business, much of our public policy efforts have focused on our home market. This is where many of our clients are based, our main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

Highlights

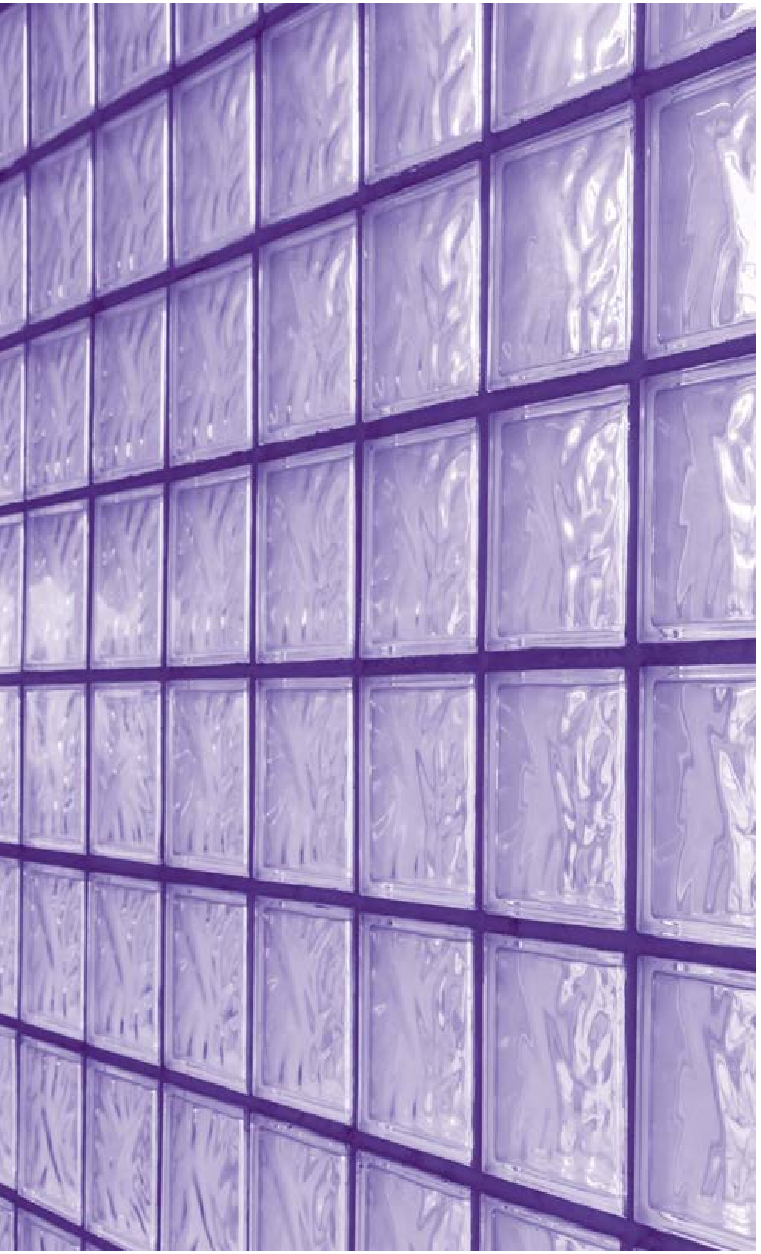
- Signed 3 letters to governments to implement supportive climate policies and net zero strategies
- Responded to 3 consultations on sustainability policy, reporting standards and regulation
- Engaged with international standard setters, policymakers and regulators.

Carlota Garcia-Manas
Head of Climate Transition and Engagement

"Advocacy has the potential to be widely impactful. By contributing to public policy and market dialogue we look to be able to influence systemic change."



Advocacy *continued*



Sharing our expertise and advice

2024 Global Investor Statement to Governments on the Climate Crisis

We signed a statement to all governments outlining investors' key policy requests for the net zero transition, including a whole-of-government approach, sectoral transition strategies, biodiversity plans, mandatory climate disclosures and more.

World Benchmarking Alliance (WBA), Climate Transition Assessment Consultation

We responded to the consultation on WBA's Climate Transition Assessment Guidance ('ATP-Col Guidance'). We focused on assessing corporate transition plans using regional sectoral transition plans, which outline emissions pathways for specific sectors and regions. We urged the WBA to provide guidance for situations where these plans are unavailable, as they are currently rare.

Climate Financial Risk Forum (CFRF)

CFRF met four times in 2024. The forum focused on progressing a number of areas, including climate adaptation, resilience and short-term scenario analysis. The group is expanding its remit beyond climate risk to include areas like nature, and will continue supporting the UK government and its regulators in progressing transition finance.

The Institutional Investors Group on Climate Change (IIGCC) Transition Finance Survey

We fed into IIGCC's work to articulate the investor perspective on 'transition finance' and how it could drive real-economy emissions reductions. We highlighted the role of engagement and the distinction between climate solutions and transition finance. IIGCC acknowledged Royal London Asset Management's contribution in the recently released Transition Finance position paper.

IIGCC Member Survey

We gave feedback on our membership experience and on priority areas to facilitate investor action on climate change, including developing assessment methods for a wider range of asset classes.

Investment Association's (IA) UK Energy Policy Survey

We affirmed our support for the government's goals to decarbonise the energy supply, enhance energy security and create green jobs. However, we emphasised the need for additional information to demonstrate that the plan will maximise impact and provide value for money for taxpayers.

IA response to the Financial Conduct Authority's (FCA) Consultation on UK prospectus rules

We expressed our support of the FCA's proposals for sustainability-related disclosure requirements in prospectuses and, in particular, for mining and oil and gas companies to include a climate stress test of their reserves.

Letter to the UK Prime Minister from the Business Group Alliance for Net Zero

Royal London (including Royal London Asset Management) signed a multi-stakeholder letter with businesses, investors and other financial institutions calling on the UK government to set an ambitious and investable Nationally Determined Contribution plan.

UK Biomass Consultation

We responded to the UK government's consultation on funding for biomass power after 2027. We support temporary funding for unabated biomass plants until a decision on bioenergy with carbon capture and storage (BECCS) is made. Without funding, biomass operations may decrease, hindering BECCS deployment and UK grid decarbonisation. BECCS is crucial for all UK decarbonisation scenarios published by the Climate Change Committee.

Our 2024 publications and communications

In 2024, we produced 24 publications and communications on various topics across the responsible investment landscape. You can find all these publications and many more on the Royal London Asset Management website.

February

Engaging with CLP Holdings, a utility company, on a just transition (podcast)

New environmental regulation – Biodiversity Net Gain (blog and research paper)

April

Social housing engagement – 'damp and mould' revisited (blog)

Climate Transition Plans continuous journey and theories of change (blog)

Stewardship and Responsible Investment report for 2023 (report)

May

Just transition update: Investor expectations for the banking sector (Investor guidelines blog)

Climate Task Force on Climate-related Financial Disclosures (TCFD) entity Report 2023 (report)

Climate TCFD product reports (report)

June

Property debentures engagement – bespoke ESG analysis to enhance our risk identification (article)

Net Zero Stewardship Programme (report)

The importance of engagement within water investments (blog)

July

Transition plans: Finding a common ground for the financial sector (blog)

A mini-series of videos on our approach to responsible investment as a firm; introduction, proxy voting, engagement, ESG research and our clients (videos)

Responsible Property Investment report 2023 (report)

Property net zero carbon pathway progress report 2023 (report)

August

What is 'just adaptation' and why should investors care? (blog)

September

Royal London Asset Management calls for water companies to help protect public health against the risks of antimicrobial resistance (in the press)

October

Antimicrobial resistance among the top 10 threats for global health. Can water utilities help? (article)

The importance of transition plans in responsible investment (blog)

November

Countdown to COP 29: Climate Action and Investment Strategies | Masterclass (webinar)

December

Navigating the net zero landscape: progress updates and challenges in 2024 (blog)

2024 proxy voting season themes and voting patterns (report)

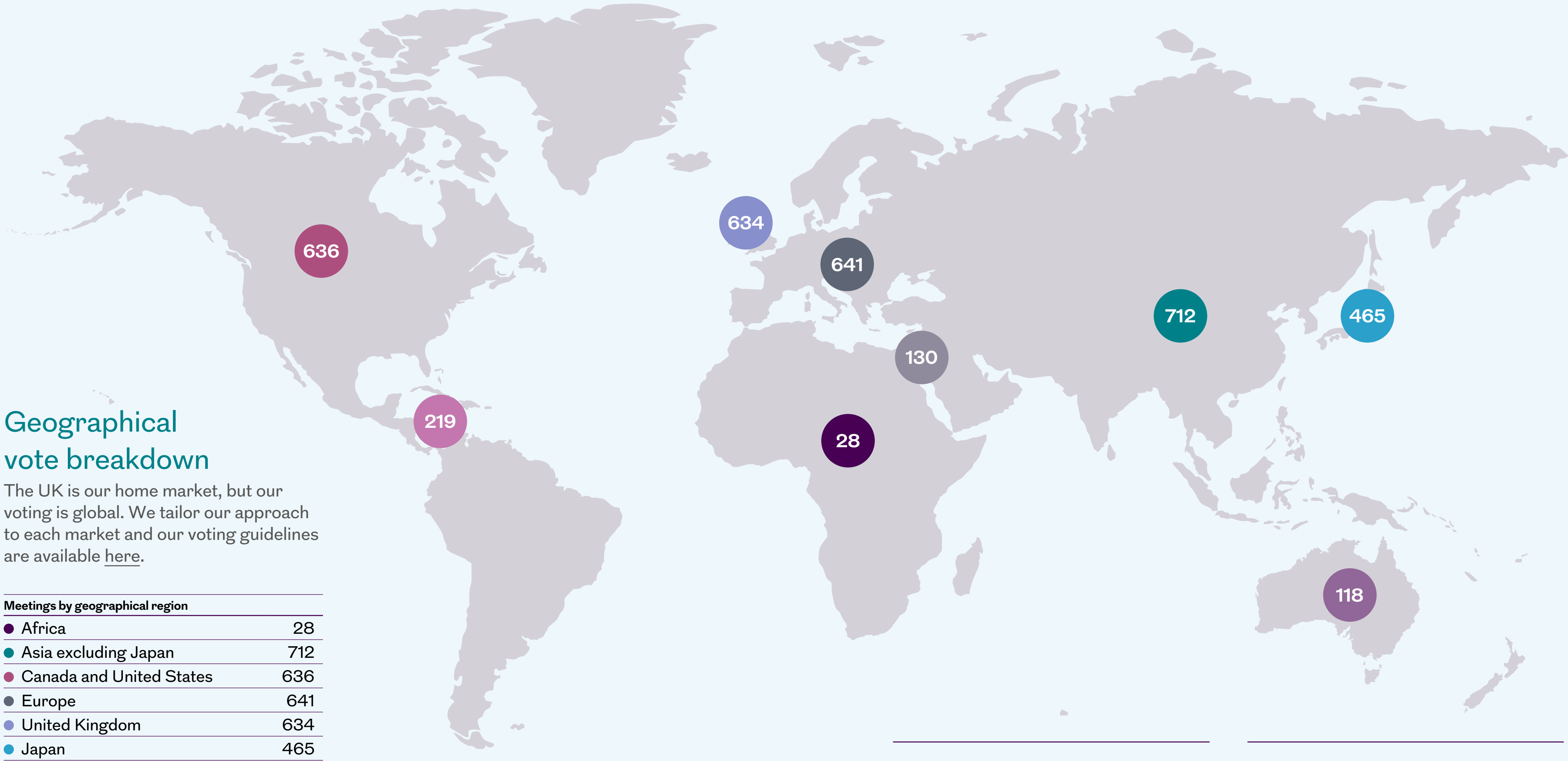
Asset TV – A just transition in banking: industry collaboration Masterclass (webinar)

Outlook 2025 (video)

2024

Stewardship and responsible investment

Voting statistics



Geographical vote breakdown

The UK is our home market, but our voting is global. We tailor our approach to each market and our voting guidelines are available here.

Meetings by geographical region	
Africa	28
Asia excluding Japan	712
Canada and United States	636
Europe	641
United Kingdom	634
Japan	465
Latin America and Caribbean	219
Middle East and North Africa	130
Oceania	118
Total	**3,583**

3,583
total number of meetings voted

44,699
total number of resolutions voted

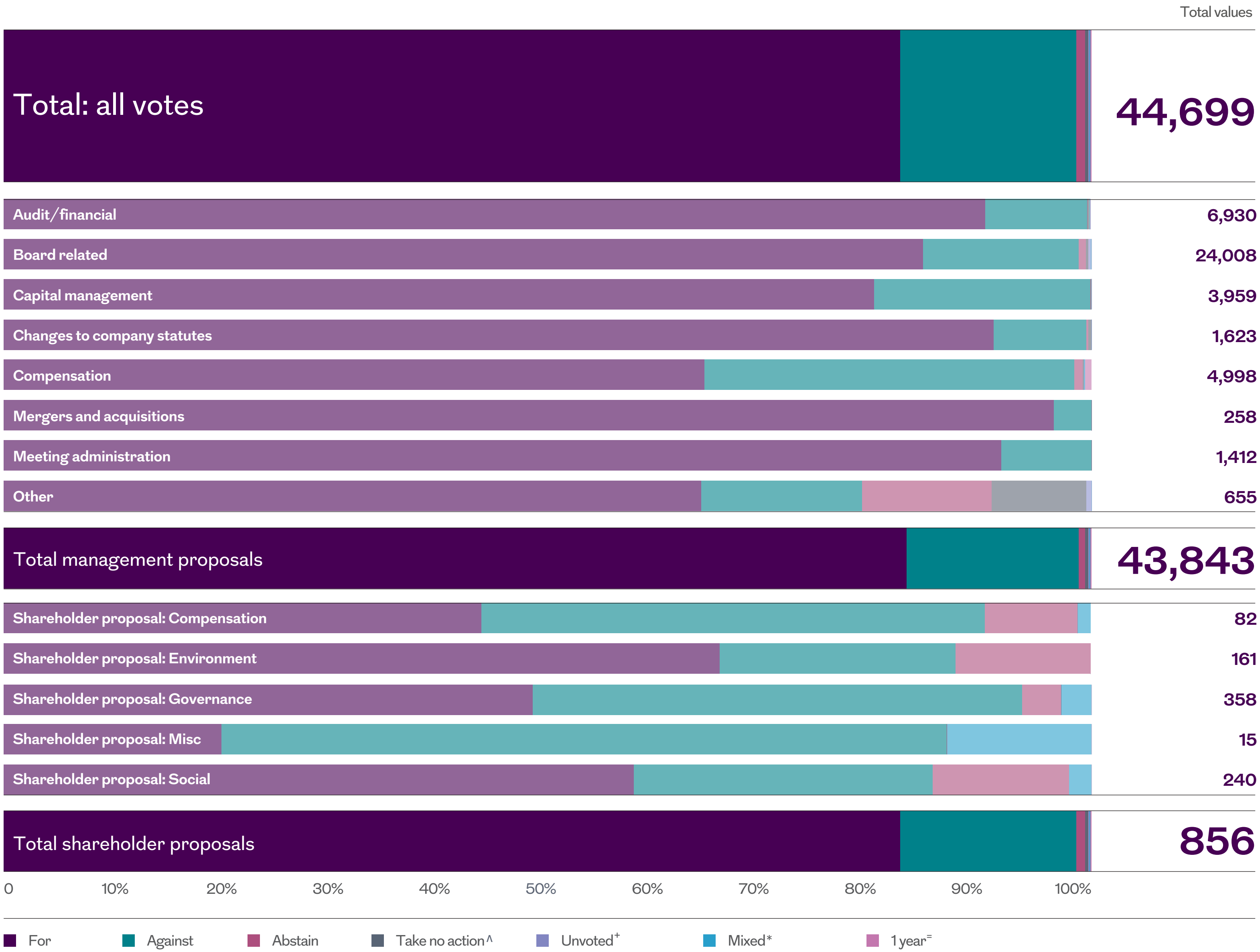
Voting statistics *continued*

Vote category breakdown

Our voting can be broken down into the following high level categories. More information on how we voted on specific issues or companies can be found throughout this report.

44,699

total number of resolutions voted



^ We endeavour to vote all meetings but may elect to 'Take no action' where shareblocking is in place or in the event of international sanctions.

\+ Unvoted resolutions are rare but can occur due to the very late arrival of voting positions or when the number of board candidates exceeds the available seats.

* Mixed votes may include meetings voted by proxy card instead of via the voting platform, client directed voting in segregated accounts or due to the late settlement of trading.

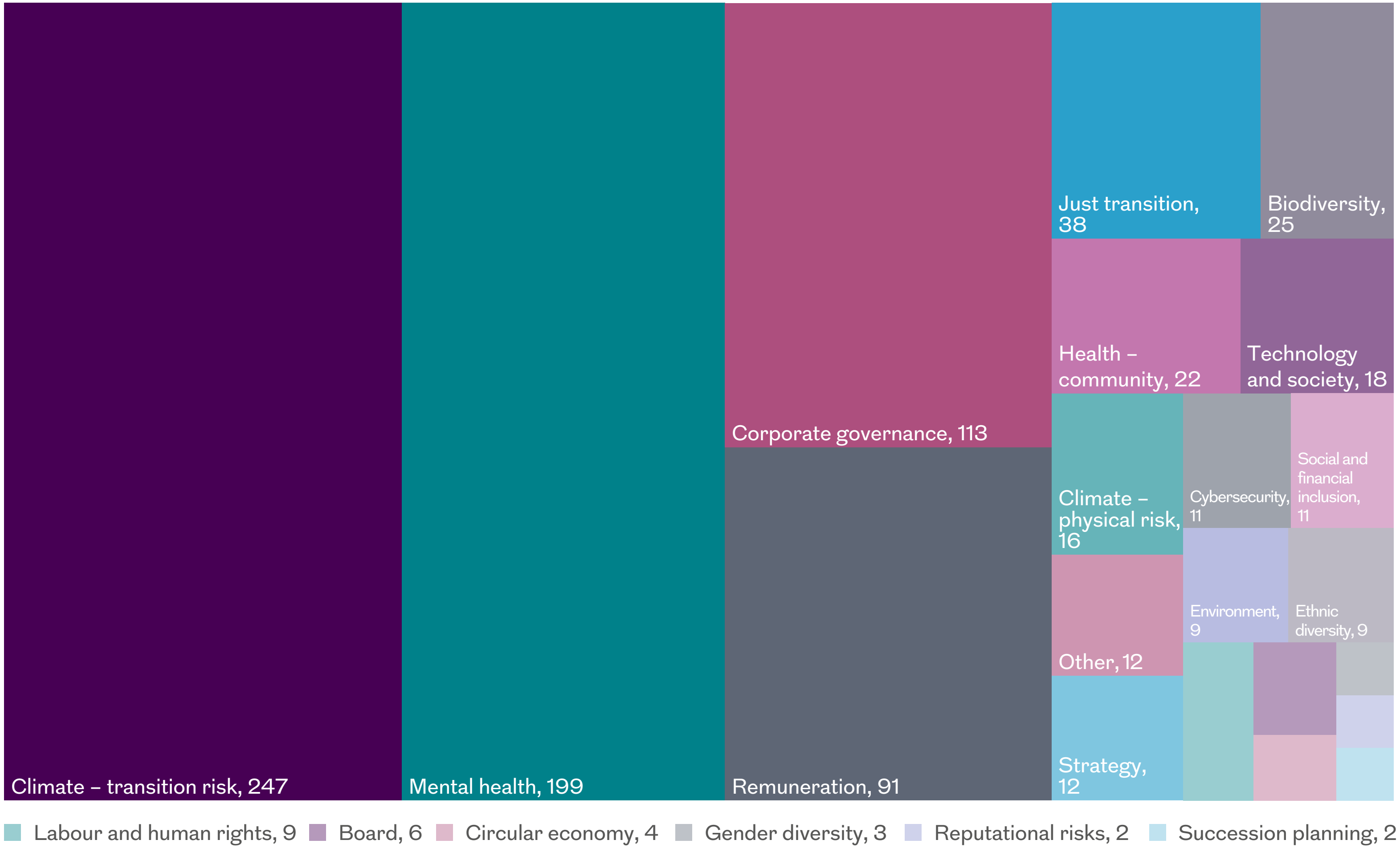
= 1 year refers to a vote specific to remuneration in the US. Royal London Asset Management will vote for remuneration to be put to a vote every year rather than every 2 or 3 years.

For more details on our approach to voting other topics please see the responsible investment sections of this report pages 48-51 and our detailed voting guidelines.

Source: Royal London Asset Management, 12 months ending 31 December 2024.
Data accurate as of 7 January 2025.

Engagement statistics

Engagements* on different topics



859
engagement topics

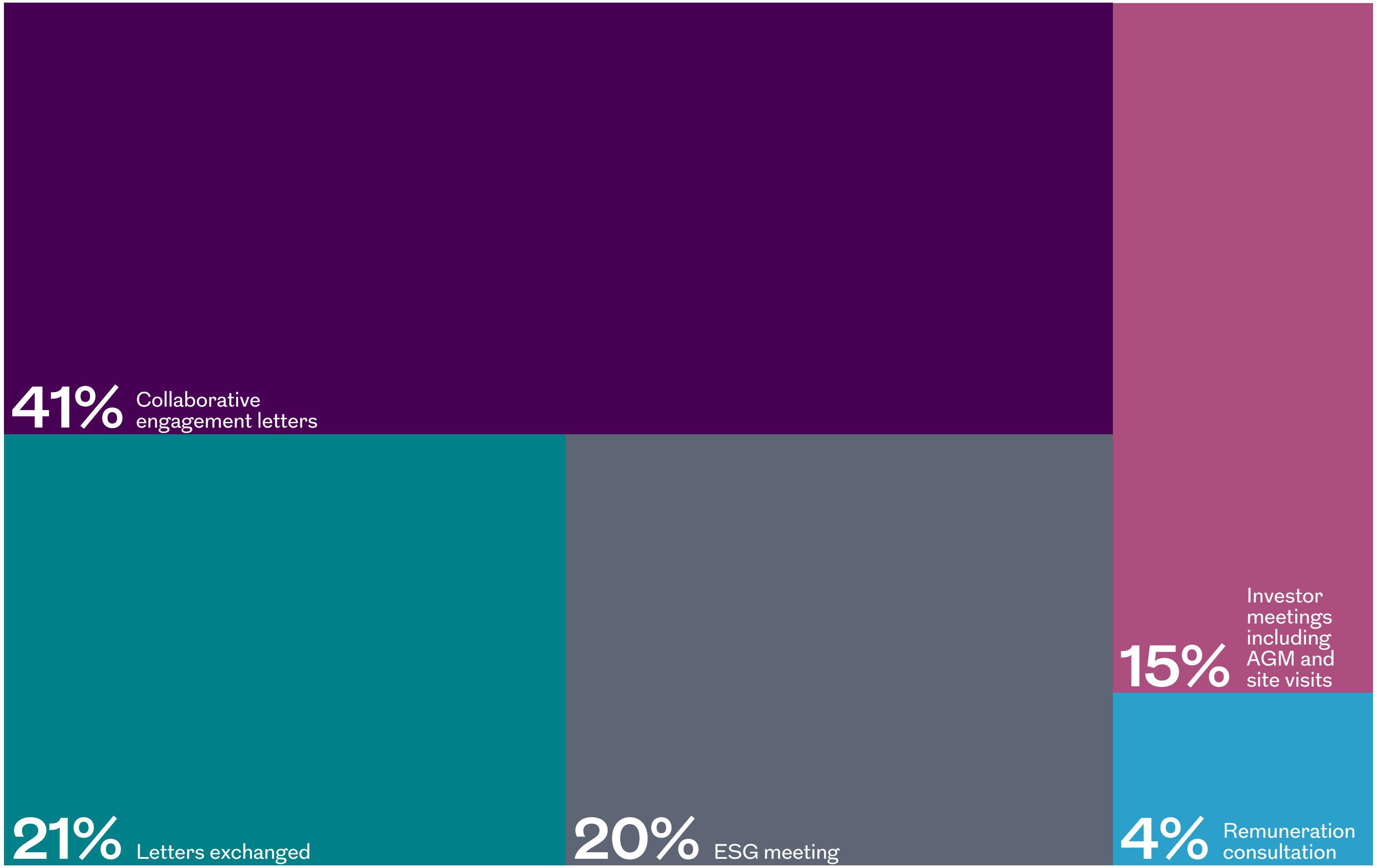
21
unique topics we engaged on

464
companies engaged

* This counts the number of times a topic has been raised during each engagement. An engagement can be in the form of a private letter, collaborative sign-on letter, email, phone call or in-depth meeting where ESG issues are discussed in detail. Multiple topics may be raised as part of one engagement.

Engagement statistics *continued*

Engagement event types



186
voting engagement letters sent

560
proactive engagements* relating to our six engagement themes

164
reactive engagements* in response to corporate ESG events

* This counts the number of times a topic has been raised during each engagement. An engagement can be in the form of a private letter, collaborative sign-on letter, email, phone call or in-depth meeting where ESG issues are discussed in detail. Multiple topics may be raised as part of one engagement.
Source: Royal London Asset Management, 12 months ending 31 December 2024, data accurate as of 7 January 2025.

A closer look at our stewardship activities

2024-26

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 six key engagement themes.

These are chosen following a review of trends and events, alongside extensive consultation with fund managers, responsible investment analysts, clients and other stakeholders.

The extended pages throughout the report detail our work and results for each engagement theme we focused on in 2024.

We review our engagement themes every two years with the last review completed in 2023.

Our six engagement themes for 2024–2026

Climate change

Net zero: Creating a Paris-aligned future

Climate physical risk: Building resilience to climate change

Innovation, technology and society

Cyber security: Protecting assets and infrastructure

Technology and society: Building responsible technology

Social and financial inclusion

Just transition: Putting the social transition at the heart of the climate transition

Governance and corporate culture

Good governance and culture: Creating resilient businesses

Diversity: Supporting inclusive decision making

Health

Corporate impact on health: Supporting healthy employees, customers and communities

Biodiversity

Corporate impact on biodiversity: Protecting our natural capital

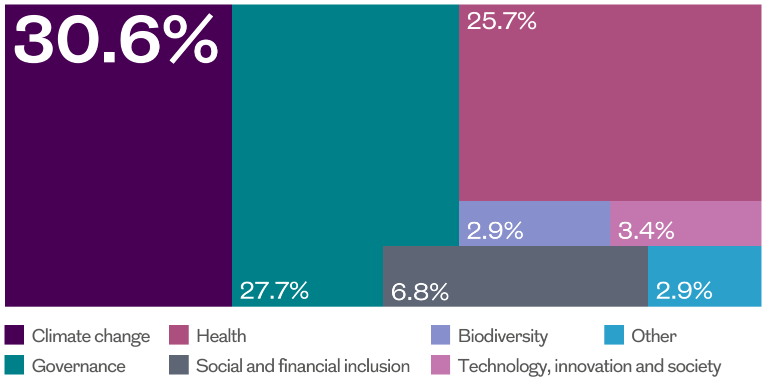
Climate change

The climate is changing, and companies must prepare for the transition to a more sustainable economy. The physical impacts of extreme weather – and the policies and infrastructure changes we need to reduce emissions – are disrupting financial markets, our physical environment and ‘business as usual’. We focus our stewardship efforts on encouraging business transformation that supports the goals of the Paris Agreement and a net zero emissions future, while building resilience to the physical risks of climate change.

Highlights

- 54% of entity-level financed emissions meaningfully engaged with
- 38 detailed Climate Transition Assessments of companies undertaken
- 12 companies with net positive improvements to their transition plans.

Climate engagements



Climate change *continued*

Engagement on our Net Zero Stewardship Programme

As part of our climate and net zero strategy, our goal is to engage with issuers representing 70% of our financed emissions by 2030. We advocate for companies to adopt comprehensive climate transition plans and emissions reduction targets using science-based, sector-specific methodologies, such as those from the Science-Based Targets initiative (SBTi).

Engagement over divestment

We remain focused on supporting the companies in which we invest to decarbonise, rather than reducing our portfolio's carbon footprint by selling assets. We believe this is a more constructive way for us to contribute to reducing real-world emissions.

For our highest emitting companies across our assets under management, we evaluate whether they have net zero strategies and, for those that do, how they are progressing with their 2030 (or beyond) decarbonisation plans. To prioritise our net zero engagement efforts, we:

- assess financed emissions data across our equities and corporate fixed-income holdings
- prioritise our investee companies based on their Scope 1, 2 and 3 financed emissions
- conduct annual reviews and modify our target companies to account for changes in all portfolio weightings and emissions.

This year, we identified 40 companies for engagement, as part of our Net Zero Stewardship Programme, representing 54% of our financed emissions.

Six pillars of our Net Zero Stewardship Programme

RESEARCH
see page 13

ENGAGEMENT
see page 11

VOTING
see page 15

INTEGRATION
see page 59

ADVOCACY
see page 17

REPORTING
see pages 26-35

You can read more about each of these pillars in our Net Zero Stewardship Report.

40
companies for engagement, as part of our Net Zero Stewardship Programme

54%
of financed emissions engaged

70%
goal to engage with issuers

Portfolio characteristics and holdings are subject to change without notice. The views expressed are as at the date of publication unless otherwise indicated, which are subject to change, and are not investment advice.

Climate change *continued*

Politics and climate action

In 2024, there were unprecedented shifts in the political landscape surrounding net zero commitments.

Conflicts in the Middle East and Europe affected global energy supply, while elections were held in countries that account for half of global energy demand. In the United States, the impact of the US election on domestic energy policies and global climate treaties is still unclear. Closer to home, the UK is off track to meet its 2030 emissions reduction targets, while Scotland had to scrap its target. These dynamics underscored the complexity of achieving net zero targets in a rapidly changing environment, and the need to enhance global energy security.

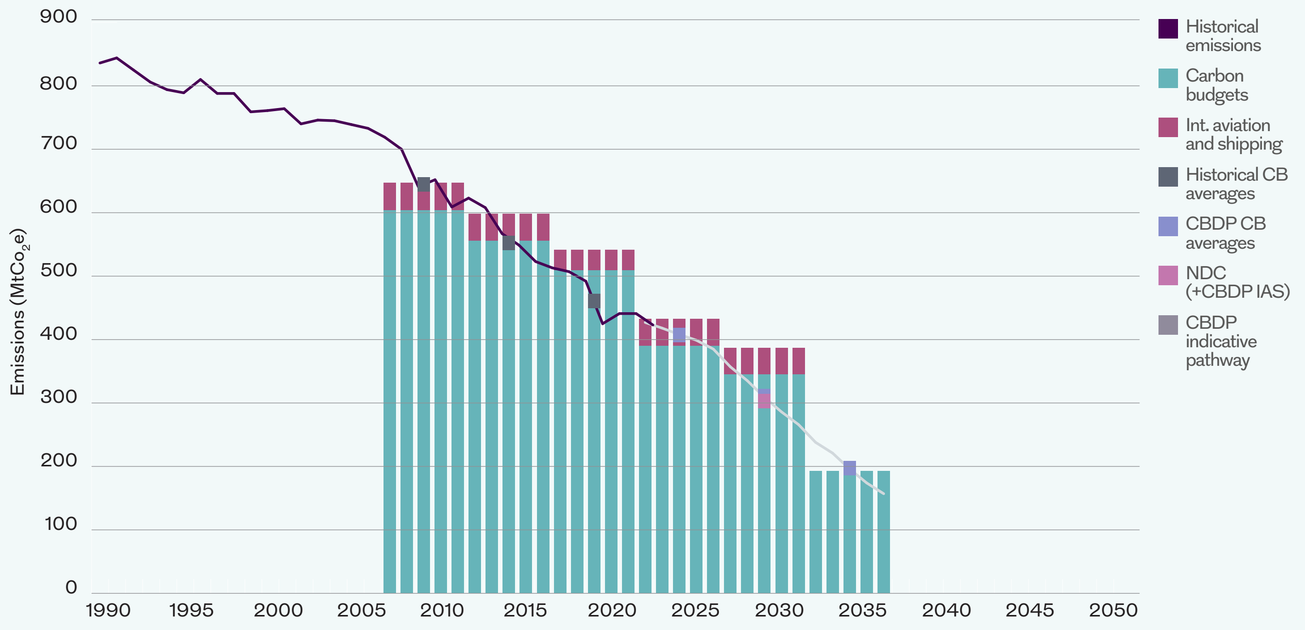
On the other hand, there were some positive climate milestones such as the UK becoming the first major economy to halve its emissions, having cut them by 50% between 1990 and 2022.

Regulation and guidance catching up

2024 saw the release of further climate guidance and regulations, with more than 20 jurisdictions across six continents already taking steps to introduce International Sustainability Standards Board (ISSB) reporting standards into their legal or regulatory frameworks. In the European Union, meanwhile, companies will be disclosing information under the Corporate Sustainability Reporting Directive (CSRD) for the first time in 2025. The European Securities and Markets Authority (ESMA) also released new ESG fund guidelines, for funds using ESG or sustainability-related terms in their name.

In the UK, we continued to contribute to the development of HM Treasury's Transition Plan Taskforce (TPT) guidance. These published resources provide a best-practice framework for companies to develop climate transition plans (CTPs) and mobilise transition finance. CTPs may also become a requirement for certain companies in the future if the FCA proceeds with its plans to make them mandatory. The FCA's Sustainable Disclosure Requirements (SDR) regulation requires alignment with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to include detail of companies' governance, strategy, risk management and metrics and targets in reporting.

UK historical emissions, the government's pathway and the UK's targets



Continuing pressure for action

Reminding us why climate action is necessary, 2024 was the warmest year on record, surpassing the previous record-breaking year of 2023. We also witnessed more extreme weather events across the globe, which brought significant social consequences and affected asset prices and volatility. We believe action must now focus on both climate mitigation and adaptation (read more about our work in this area on page 39).

Through our Net Zero Stewardship Programme, we aim to encourage companies to transition fairly to a sustainable world amid these changing political, economic and environmental pressures.

Source: Department for Energy Security and Net Zero (DESNZ) (2024) Provisional UK greenhouse gas emissions national statistics 2023; DESNZ (2024) Final UK greenhouse gas emissions national statistics: 1990 to 2022; DESNZ (2023) Carbon Budget Delivery Plan; Department for Business, Energy and Industrial Strategy (BEIS) (2021) Net Zero Strategy; Climate Change Committee (CCC) (2020) The Sixth Carbon Budget.

Notes: (1) Emissions from international aviation and shipping (IAS) are included in historical emissions and the Carbon Budget Delivery Plan (CBDP) pathway and added to the Nationally Determined Contribution (NDC) to allow for a direct comparison. (2) The CBDP projections include only the quantified plans. Unquantified plans may lead to further emissions reductions. (3) The annual pathway is an indication of emissions reduction. The UK does not have annual targets but the five-year carbon budgets and 2030 NDC must be achieved. (4) We have adjusted the government's published CBDP pathway for land use to account for methodological changes between the 1990-2019 and 1990-2020 inventories. (5) 'CB' refers to the UK's carbon budget. 'CB1' refers to the First Carbon Budget; subsequent numbers refer to subsequent carbon budgets.

Description: UK emissions have almost halved since 1990 and the UK met its first three carbon budgets.

Climate change *continued*

Climate Transition Assessment

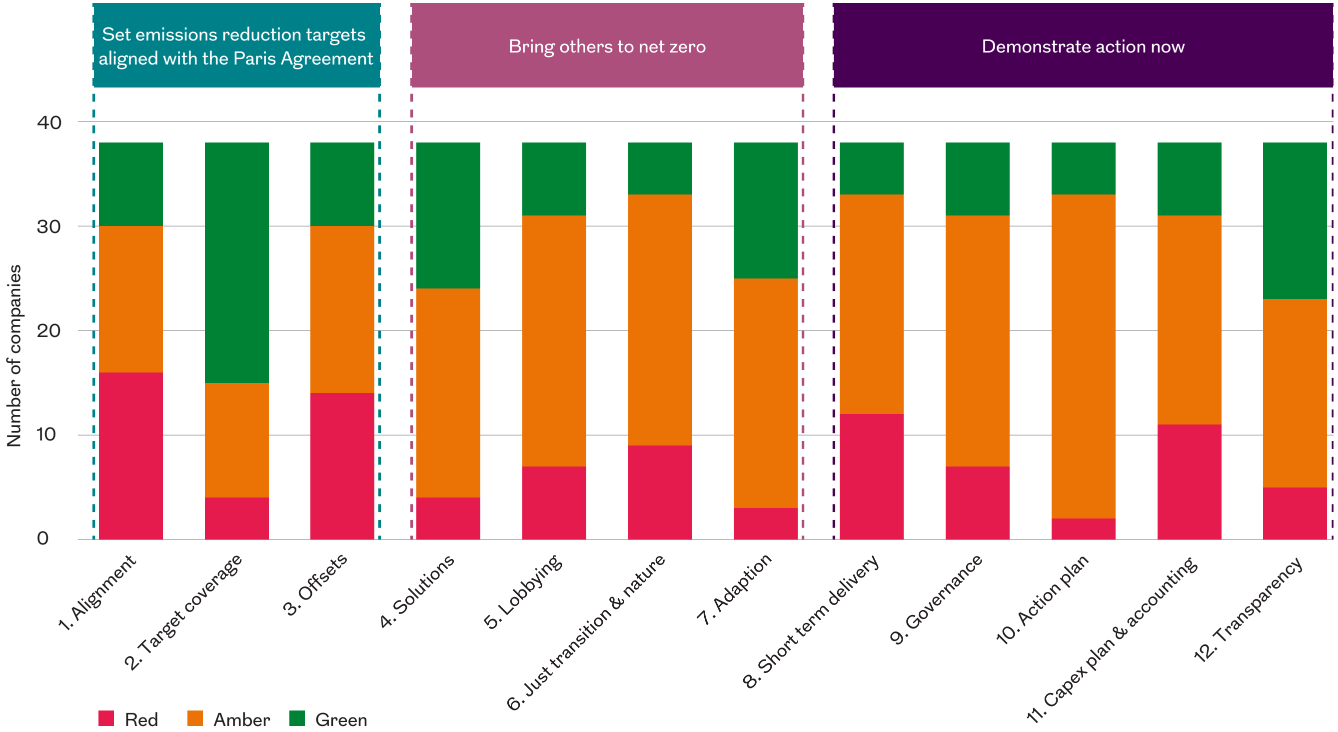
In 2024, we targeted 40[1] of the highest-emitting companies across our investment portfolio. Of these, 28 were part of previous years' assessments and engagements, and we used them as a control group to evaluate progress. When assessing companies against our Climate Transition Assessment (CTA), we evaluated each company using 12 indicators. You can read more about Royal London Asset Management's proprietary 12 indicators here.

The political challenges highlighted previously are permeating into corporate behaviour to varying degrees. Of the company assessments we completed in 2024, 43% improved while 25% regressed. While we observed improved disclosures and climate transition plans published across the companies we engage with, this did not necessarily translate into overarching progress to achieve climate goals. When we look at the data at indicator level rather than at company level, we see a more nuanced picture emerging. At the indicator level, we observed 37 improving indicators and 23 deteriorating indicators. This demonstrated an overall improvement in how companies are approaching net zero within our small sample of high-emitting companies.

For example, at Thor Industries Inc we saw an increase in the percentage of its emissions covered by its climate targets. We also noted that Electricite de France (EDF) and others improved transparency in how they approach carbon offsetting, applying best practice by using high-quality offsets for residual emissions only. However, few companies are reducing emissions at the required rate, and some, like BP p.l.c are increasing their emissions. Therefore, in the short term, we saw emission reduction ambitions fall for some of the companies we assessed. We know that political uncertainty can hinder companies from making long-term business decisions and strategic investments to align with the goals of the Paris Agreement, and our climate transition assessment results reflected this.

Progress has been slow, with few marked improvements in companies' climate transition plans. However, in 2024 we observed less backtracking than expected and saw improvements in the individual indicators used in our assessment, yet overall, company alignment stayed the same or worsened.

Climate Transition Assessment



Assessment of 38[1] highest-emitting companies in 2023 and 2024

Improving

- 43% of companies we assessed in 2024 improved
- 37 improving indicators
- 12 companies with net positive improvements in their transition

Deteriorating

- 25% of companies we assessed in 2024 regressed
- 23 deteriorating indicators
- 6 companies worsened their climate plans and were reclassified to 'Not aligned'

1. While we targeted 40 of the highest-emitting companies across our investment portfolio, two of these companies removed their climate disclosures so we were unable to assess them using our CTA. They do however remain in our control group of 40 companies as we did engage with them in 2024 and hope to assess their climate plans in the future.

Climate change *continued*

Oil and gas sector

2024 was another challenging year in this sector. Some companies backtracked on previous climate commitments, while others just maintained emissions reduction targets rather than strengthening them.

Capital allocation concerns

Capital allocation remains a concern from a climate perspective. Many of the companies we assessed have continued investing in upstream activity, with some oil majors investing in new wells to overcome declines in natural oil field production. We also continue to see new exploration, which, as established by the International Energy Agency (IEA), is in some cases incompatible with the goals of the Paris Agreement.

Many oil and gas majors are ramping up liquefied natural gas (LNG) production and global exports are expected to increase. As a result, some companies we assessed are investing as little as 2% of their capital in low-carbon businesses, with none fully phasing out fossil fuels. In comparison, more transition-focused companies allocate about a third of their capital expenditure to low-carbon energy and technologies.

> "We do not support the divestment of oil and gas assets, as it represents only the transfer of emissions and not their reduction or elimination."

Transition risks

Ongoing expansion of oil and gas assets could increase transition risks, despite the high demand that still exists. However, there is a risk this demand could fall under certain scenarios, such as the acceleration of new technologies like electric vehicles (EV) or China decarbonising rapidly, resulting in stranded assets. While some companies recognise these potential risks, few are meaningfully adjusting their strategies. Additionally, certain companies could be using assumptions in their scenario analysis that fail to account for these risks – a topic on which we engaged throughout the year.

Improved uptake of low-carbon tech

Encouragingly, we saw improvements in other aspects of companies' transition plans, including investment in low-carbon technologies. Positive action included companies collaborating with partners to expand EV charging networks and investing in battery and hydrogen technology.

Further divestment

Companies in the oil and gas sector continue to divest oil and gas assets to reduce their emissions. We do not support this type of decarbonisation, as it represents only the transfer of emissions and not their reduction or elimination. We continue to engage with companies on their commitment to run down their assets and only divest responsibly as a last resort.

Lobbying for change

Because of the increasing investment in oil and gas production, we continue to focus on companies' lobbying activities. There is a risk that some firms may petition developing market countries to increase demand for LNG rather than embrace renewable energy sources.

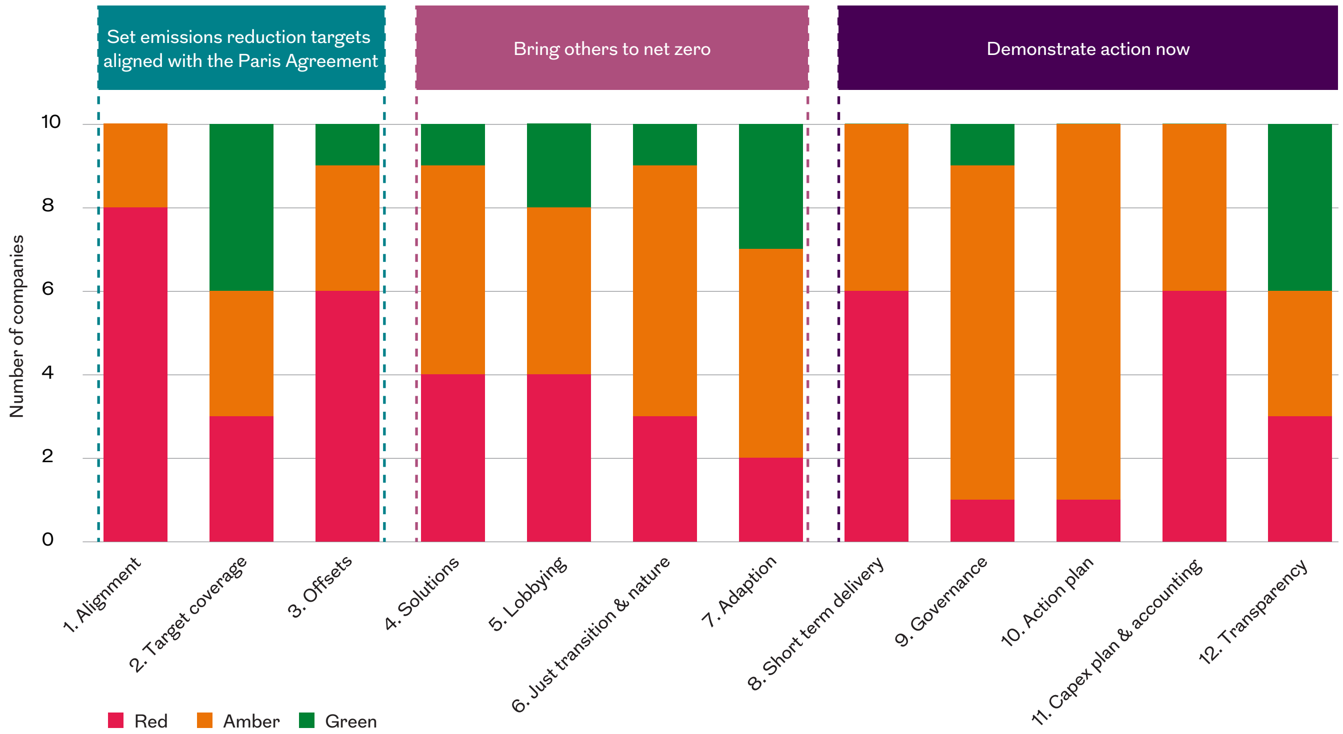
Improved Paris alignment

Finally, we saw some companies, like TotalEnergies, making positive changes in their strategies and adopting green technologies, such as renewable energy generation and biofuels, to better align with the Paris Agreement.

Some of these initiatives were linked to jurisdictional incentives, such as the US Inflation Reduction Act (IRA), which is at risk of being reduced in scope in 2025.

We remain cautious and believe business models must show significant and meaningful change for further progress to occur.

Climate Transition Assessment: oil and gas sector



Climate change *continued*

Engagement: Shell plc

We have been engaging with the British oil and gas major Shell for several years, meeting 12 times in 2024.

2024 AGM

In the run-up to the annual general meeting (AGM), we questioned Shell on its 2024 Energy Transition Strategy (ETS). We were pleased to see the introduction of an absolute 'ambition' to reduce emissions associated with the use of oil products, partially meeting one of our long-standing engagement requests. Shell's Scope 1, 2 and 3 emissions reduction targets are also informing its capital allocation decisions, which we see as an important development in the credibility of its transition plan.

However, the regression in the Net Carbon Intensity (NCI) target was a concern, with Shell now targeting a 15-20% reduction by 2030, down from the previous 20%.

Shell acknowledged that it was unclear how it would meet its 2035 NCI target due to developments such as slower global decarbonisation than expected. Subsequently, Shell scrapped this 2035 NCI target. The chair acknowledged our concerns, and Shell has indicated it will reintroduce a new mid-term target in its next ETS in 2027. While we were pleased with this response, questions remain on the interim period, between now and the 2027 ETS, and how capital planning will progress in the absence of a formal target.

VOTE: Management resolution – Energy Transition Strategy

In 2023, we voted *against* the resolution to approve Shell's ETS, due to the lack of noticeable progress against our expectations. Since then, Shell has addressed some of our asks, but we remain concerned about a lack of mid-term emissions targets.

For 2024, we chose to acknowledge this progress while retaining some concerns and upgraded our vote to *abstain*.

VOTE: Shareholder resolution – Scope 3 target and Paris Agreement alignment

We view Scope 3 targets as critical for oil and gas companies to align with the goals of the Paris Agreement, and Shell's progress in this area has been mixed.

Due to Shell's progress on disclosures and its response to our engagement, we retained our position from 2023 and voted *abstain* on this shareholder resolution at the AGM in May 2024.

Continued engagement

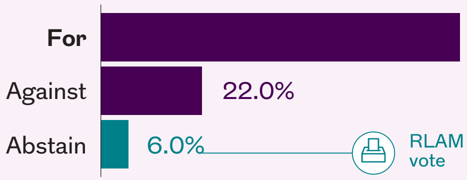
Since the AGM, our engagement with Shell has focused on four critical areas.

- Aligning capital allocation with the goals of the Paris Agreement
- Setting expectations on future exploration and consistency with targets
- Transparency on its LNG growth strategy
- Developing clear offsetting principles.

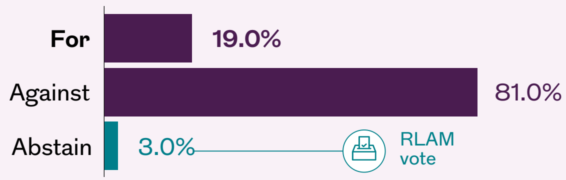
We also engage with Shell in our role as co-lead of the WBA working group. Shell has taken positive steps to improve its approach to just transition, and we hope to continue our productive discussions and showcase outputs in 2025. (See more details on our just transition engagement on page 37.)

Voting results 2024 AGM

Management resolution



Shareholder resolution



Climate change *continued*

Diversified mining

Worldwide, in 2024, we saw greater investment in the key transition metals, which are essential for the electrification of industry and in building a low-carbon future. These include copper, nickel, lithium and cobalt.[1] There was also more attention and calls for greater consideration of the social and environmental implications of expanding this production to ensure a just transition (see more on just transition on page 37).

Investment in transition metals

Our analysis shows that miners perform particularly strongly on climate solutions compared to other sectors. On average, they invested 43% of total capital expenditures into transition metals in the reporting period.

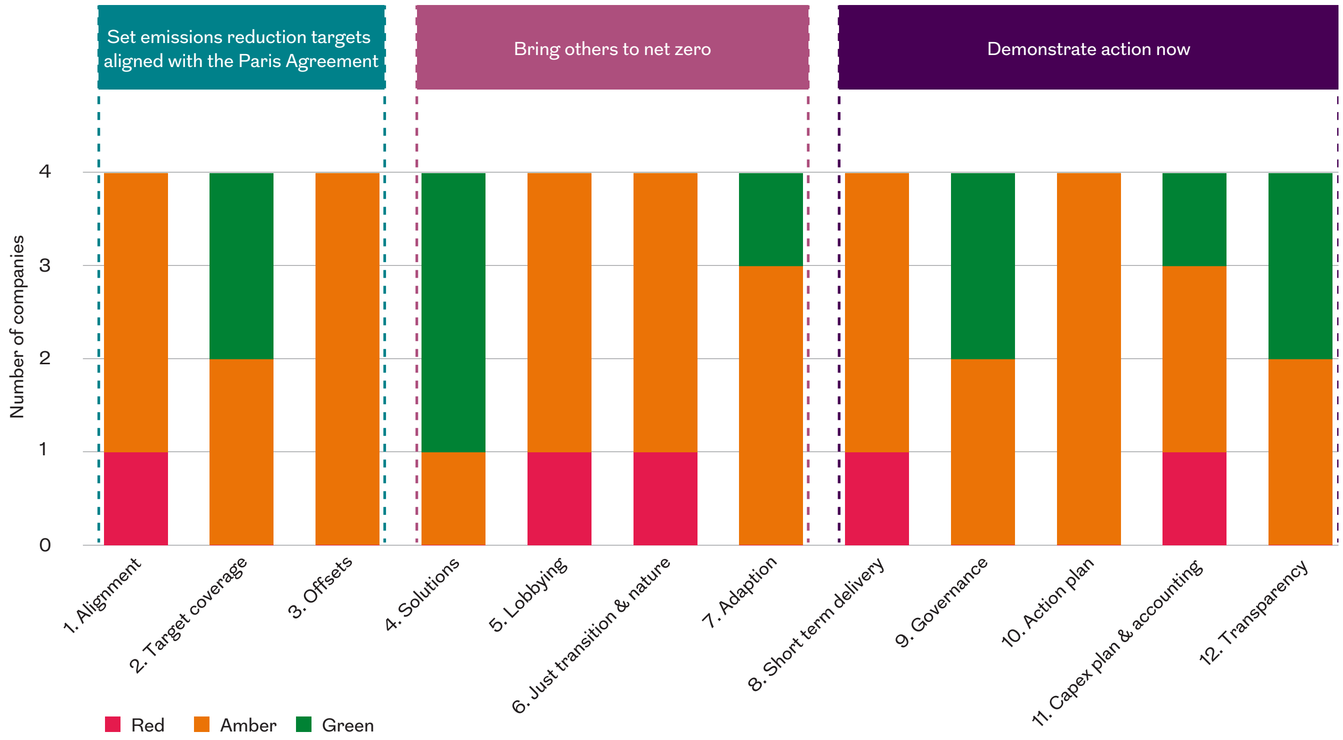
We engage and assess companies' transition metals production and investment plans using the taxonomy set out by Climate Action 100+. This is a global investor-led initiative to pressure the world's biggest corporate greenhouse gas emitters to act on climate change.

Mining and a just transition

The growth of mining for transition metals creates multiple just transition risks – from land degradation to the violation of labour or indigenous rights. Therefore, responsible practices are needed.

In 2024, we engaged with three of the four mining companies covered by our Net Zero Stewardship Programme on how they are incorporating a just transition approach into mine development, expansion and closure. Responsible mining of transition metals will remain a key engagement focus in 2025.

Climate Transition Assessment: diversified mining



Merger and acquisition activity

In 2024, merger and acquisition (M&A) activity rose as miners looked to divest legacy coal assets and acquire transition metal assets.

Disposal – As with the oil and gas sector, we do not consider divestment a valid decarbonisation strategy in the mining sector. Instead, we engage with the large miners to retain their coal assets, as they are subject to increased stakeholder oversight and more likely to manage them responsibly.

Acquisition – Similarly, while acquiring transition metal assets signifies a commitment to them, additional investment and careful expansion of these mines are required to boost the necessary supply of these materials.

Where M&A activity has left businesses uncovered by climate transition action plans, we have engaged for their integration as soon as possible.

[1] https://www.climateaction100.org/wp-content/uploads/2023/10/Climate-Action-100-Diversified-Mining-Investor-Expectations.pdf

Climate change *continued*

Engagement: Coal demerger at Glencore

In April 2023, Glencore proposed the demerger of its combined coal business through a transaction with Canadian miner Teck Resources. The proposal aimed to create two standalone companies: MetalsCo, focusing on base metals and transition metals, and CoalCo, a highly cash-generative coal and carbon steel materials business. The aim was to enhance shareholder value by creating two streamlined entities with distinct strategic goals. Then, in November 2023, Glencore announced the acquisition of a 77% stake in Elk Valley Resources (EVR), Teck Resources' steelmaking coal business.

In July 2024, the company commenced a consultation. We expressed our preference for Glencore to retain the coal business. We felt that as part of the larger group, the assets would be managed more responsibly and that the substantial cash flows from the business would be attractive for Glencore's shareholders.

Glencore subsequently announced the cancellation of the demerger, however this has left the new EVR assets without a climate transition strategy in the interim. We wrote to its chair expressing our desire to see the assets incorporated into the existing group-wide strategy with Paris-aligned decarbonisation targets.

Engagement: Steelmaking decarbonisation at Rio Tinto

Steelmaking accounted for over half of all the emissions from the mining companies covered by our Net Zero Stewardship Programme.

As policymakers and customers shift demand to lower-carbon steel, companies may face transition risks if they are unable to decarbonise their production processes in line with expectations. Iron ore miners need to improve their ore quality or develop techniques to reduce emissions in traditional steelmaking. In 2024, we engaged with three iron ore producers on this issue (representing approximately 24% of global iron ore production), to press for more robust strategies to mitigate transition risks and reduce emissions.

We engaged with Rio Tinto to outline our expectations for its climate action plan, which was published in December 2024. Steelmaking accounts for 65% of the company's annual total emissions, and we stressed the need for a more detailed approach to decarbonisation than its previous plan outlined.

While the company was initially hesitant about setting binding emissions reduction targets, it has subsequently revealed:

- a 2035 target to support customers to reduce emissions from the blast furnace by 20-30%
- a goal to use its high-grade iron ores to support the scaling of low-carbon technologies
- a target to reduce its high-grade Canadian ore emissions by 50% by 2035
- research and development projects to pioneer green steel technologies.

We visited Rio Tinto's Canadian operations, where decarbonisation of ore emissions is a key priority. See page 71 for more information.

Climate change *continued*

Industrials

Despite the broad scope of this sector, covering aerospace, automotive, steelmakers and heating system providers, we saw consistent trends in offsetting and decarbonisation strategies.

Clarity needed on offsets and decarbonisation strategies

We expect companies that compensate for part of their emissions to do so through the purchase of high-quality carbon credits only for residual emissions, capped at 10% of their total footprint. Many lack clear or comprehensive offsetting policies and those that do often fail to disclose a limit. Additionally, many companies identify appropriate strategies to achieve their emissions reduction targets but fail to disclose the expected reductions from each action.

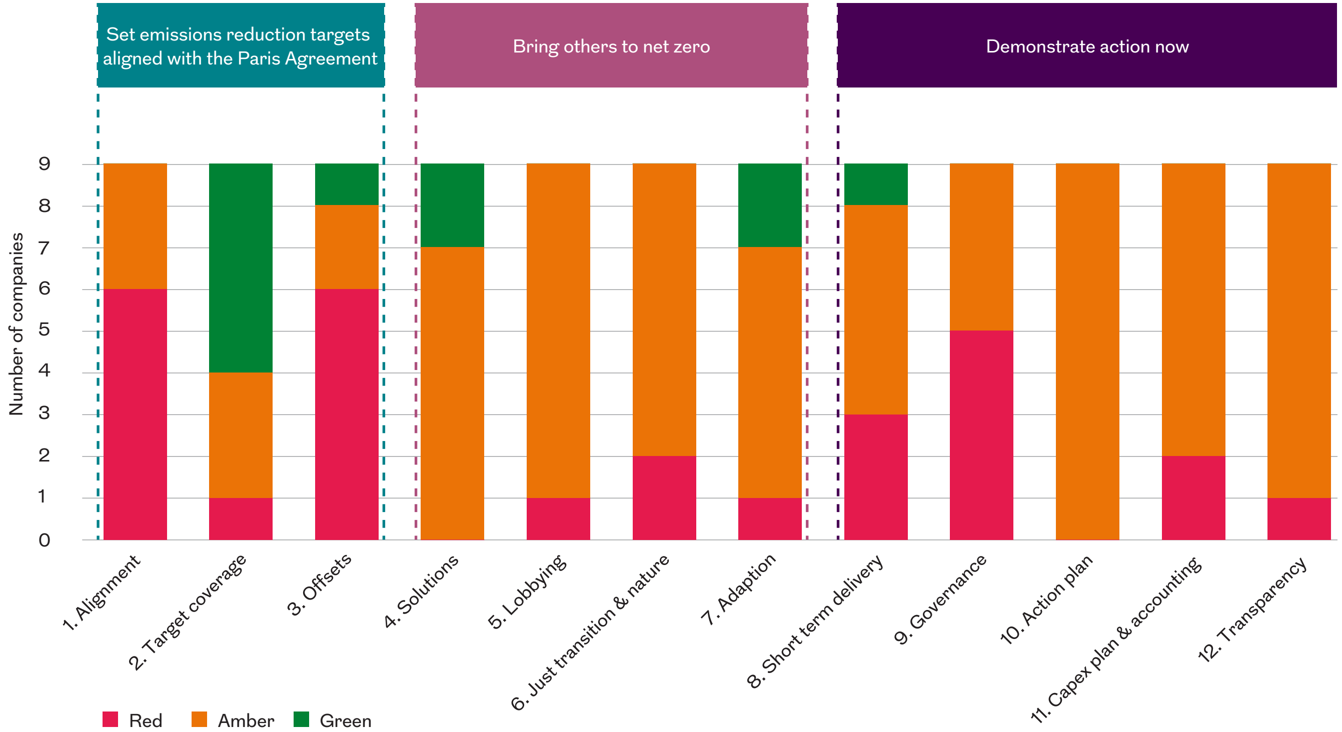
Divergence in low-carbon aviation

We saw major aerospace companies differ on electrification's role in low-carbon flight, with one shutting down its division developing electrical propulsion systems for urban and regional air travel. Most companies focused on improving conventional engine technology and using Sustainable Aviation Fuel (SAF). While these efforts are positive, their disclosures lack quantitative detail on how much their near-term emissions will reduce.

Value-chain engagement

Many industrial companies are key consumers of steel and transition metals, linking them to miners. Encouraging automakers to set targets for procuring low-carbon materials for electric vehicles signals greater demand for green steel, lower-carbon production methods and responsibly produced transition metals.

Climate Transition Assessment: industrials



Engagement: Steel Dynamics and Scope 3 emissions

We met Steel Dynamics several times during 2024. Positively, the company's Scope 1 and 2 emissions intensity is below the Transition Pathway Initiative's (TPI) 1.5°C benchmark, mainly due to its adoption of electric arc furnace technology. However, the company lacked a strategy for its Scope 3 emissions.

Our engagement revealed that Steel Dynamics was helping to develop a steel decarbonisation standard through the Global Steel Climate Council, which it has since used to set 2030 and 2050 steel emissions intensity reduction targets that cover upstream Scope 3 emissions. The company is also working on developing biocarbon to replace the use of coal in its steel mills. Steel Dynamics states that this product is manufactured from sustainably-sourced biomass and could result in as much as a 35% reduction of steel mill Scope 1 emissions.

Finally, although Steel Dynamics has not used offsets, the company lacks a clear policy on future use. After we asked for clarity on this, it confirmed it does not intend to use them and will consider updating its disclosures to reflect this.

Climate change *continued*

Climate voting

During 2024, we voted on 28 management proposals and 123 shareholder proposals on climate. For more information on our voting rationales, please see our voting records.

Management climate proposals

We supported 43% of climate resolutions proposed by company management this year. This included Canadian National Railway due to its SBTi targets, high-quality disclosure and consistent emissions reductions. We also supported EDP-Energias de Portugal due to its Paris-aligned transition plan, investment in green solutions and consideration of its social and nature impacts.

We voted *against* 25% of management proposals, including Repsol, because, despite the company's commitment to net zero, we do not currently think that its plans align with the Paris Agreement and would prefer to see more detailed disclosure.

Shareholder climate proposals

We supported 63% of climate-related shareholder proposals this year. These proposals covered increased disclosure and calls to reduce emissions. Some of the proposals we voted *against* looked to scale back reporting or activity related to climate change. In other proposals, such as at JP Morgan, we voted *against* because we considered the company's existing goals and disclosures to be adequate.

Our voting patterns have remained largely the same, although the number of votes put forward to shareholders slightly declined in 2024 compared to 2023.

Looking forward

Our commitment to proactively engaging with our highest emitting companies remains steadfast. We are currently engaging with 54% of our financed emissions and have an ambition to increase this to cover 70% of our financed emissions by 2030. We will continue to track engagement progress through our Climate Transition Assessments, which help us understand how companies are transitioning to support net zero. Visit our website for an overview of the completed assessments and commentary for all 40 companies in our Net Zero Stewardship Programme.

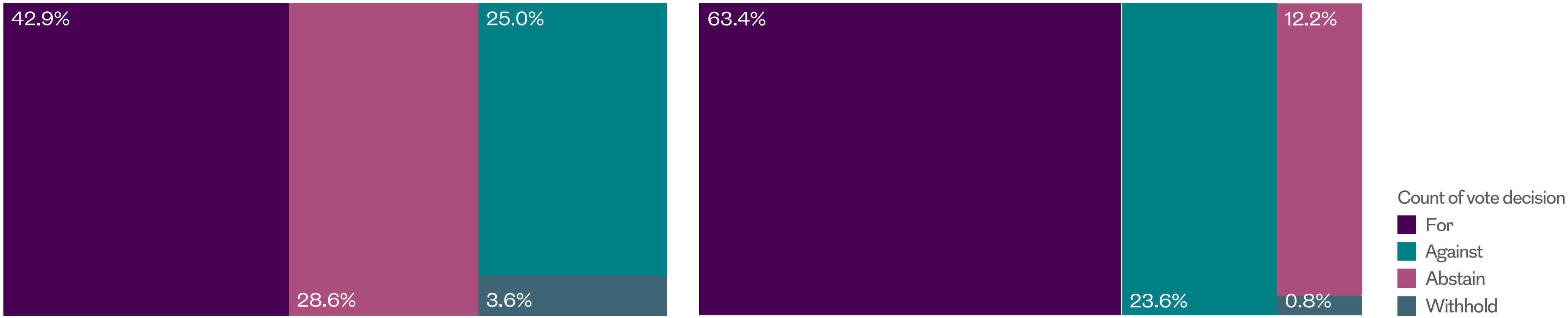
Engagement: Volkswagen's decarbonisation strategy

Our engagement with Volkswagen centred on its updated 'Regenerate +' sustainability strategy. We emphasised the importance of aligning emissions reduction targets with the Paris Agreement, specifically the need for a systematic plan to reduce Scope 3 emissions from materials like steel, batteries and aluminium. We also sought clarity on the company's battery electric vehicle (BEV) production targets.

Volkswagen was open to the suggestion of setting specific decarbonisation targets for steel, batteries and aluminium. However, due to market uncertainties, it was cautious about committing to a 100% BEV sales target.

Management climate proposals

Shareholder climate proposals



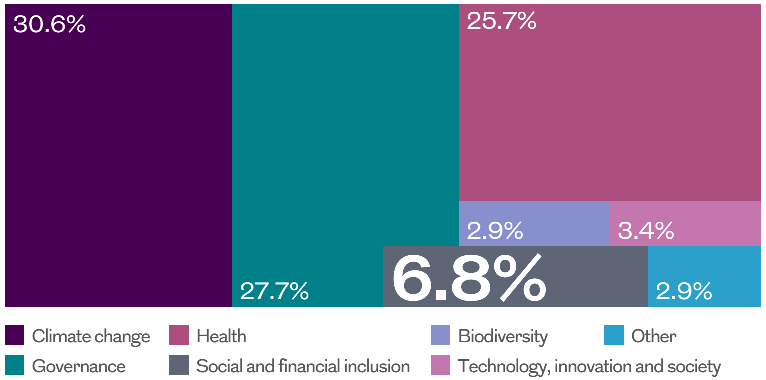
Social and financial inclusion

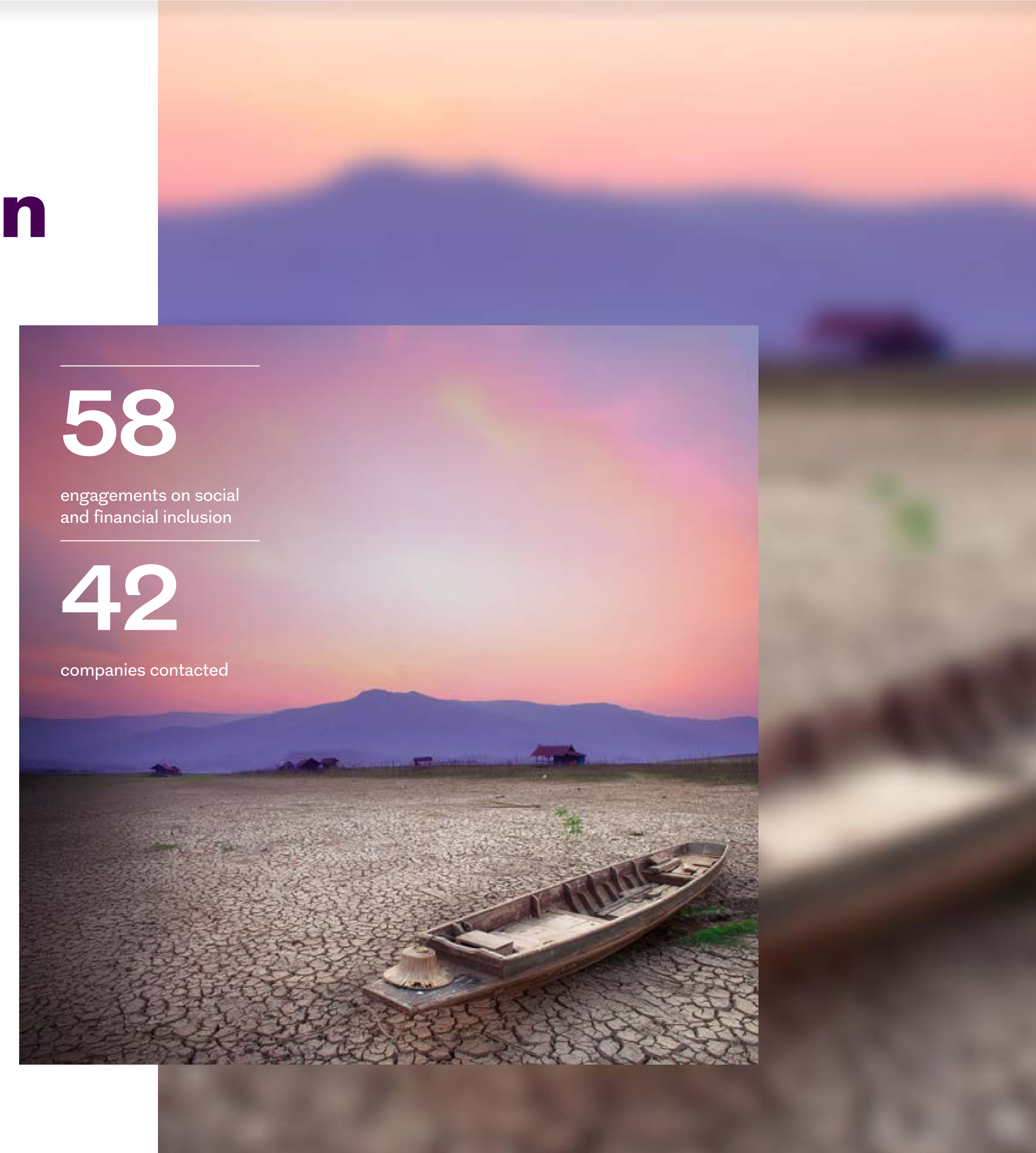
We believe that companies enjoy long-term success when everyone has an opportunity to participate and be productive members of society. To address social inclusion, we are helping to shape a just transition, asking companies to promote economic equality and protect the vulnerable as they work towards a lower-carbon future. Complementing this is a newer focus on 'just adaptation' so that companies' climate resilience efforts consider the impacts on stakeholders. On the topic of financial inclusion, we also engaged with microfinance providers to encourage responsible lending and shape best practice.

Highlights

- Engaged to ensure inclusion is integrated into climate transition strategies
- Introduced more rigour around companies' just adaptation plans
- Established best practice guidelines for microfinance providers.

Social and financial inclusion engagements





58

engagements on social and financial inclusion

42

companies contacted

Social and financial inclusion *continued*

Social inclusion

Just transition

We believe a just transition is essential for a speedy and smooth transition to a low-carbon economy. It ensures the shift is fair and inclusive, addressing the socio-economic impacts on relevant stakeholders across different companies and sectors. A just transition is essential for three main reasons:

- **Social equity:** fairness and protecting the most vulnerable is at the core of a just transition
- **Supportive policy environment:** addressing social implications is crucial to avoid slowing down climate action
- **Economic growth and stability:** new technologies can stimulate the economy and create opportunities.

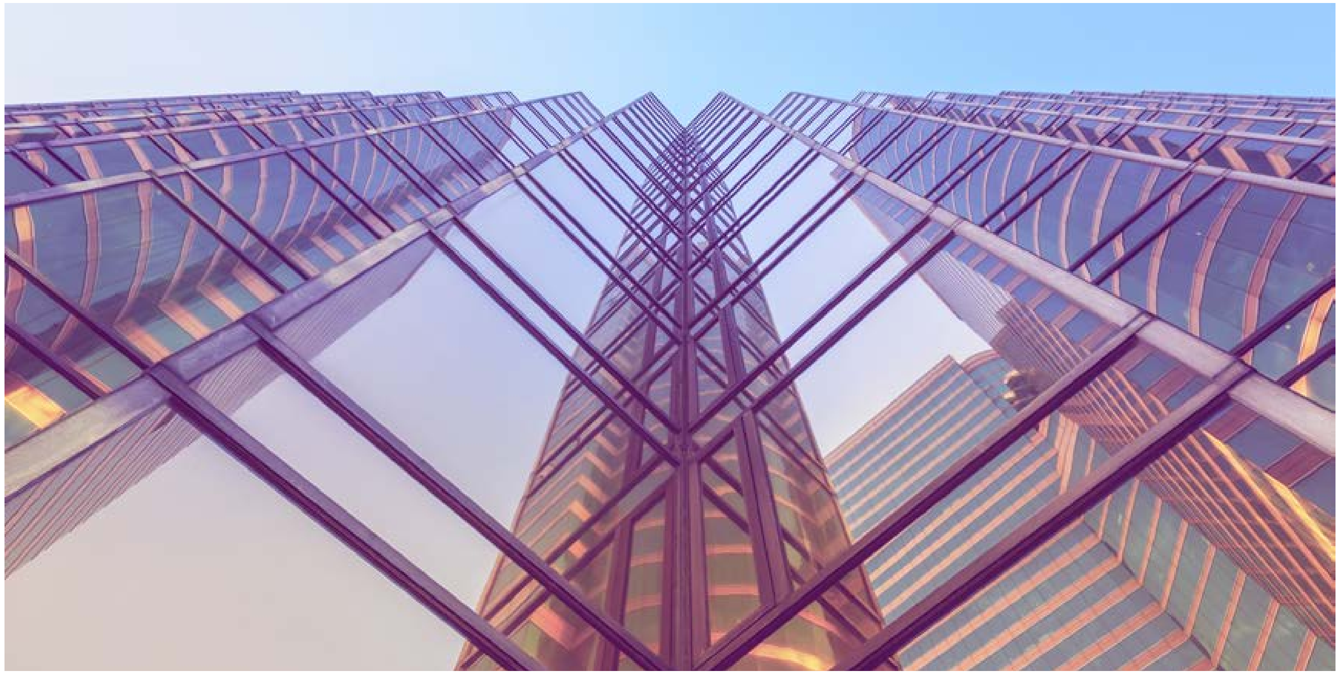
Integrated plans

Our Climate Transition Assessment (CTA) considers companies' approaches to just transition, as we believe it is important that they integrate just transition into their climate transition plans and business strategies. For example, they should consider the social implications when introducing new technology, when retiring fossil fuels, and in their current operations. These considerations can contribute to risk management and help identify growth opportunities.

Having engaged on just transition since 2019, we are encouraged that a growing number of companies are recognising the concept and exploring ways to incorporate it. We will continue this broader engagement so we can track improvements in company disclosures on just transition.

Our role in advancing a just transition

In 2024, we used our knowledge and influence to help companies better integrate just transition into their businesses, particularly in the banking industry. For example, we have actively encouraged other investors to embrace a just transition approach by co-leading the IIGCC working group on just transition. We have also advanced industry-wide thinking through our contribution to the just transition working group of the Transition Plan Taskforce.



Investor expectations for banks

This year, in collaboration with Friends Provident Foundation and Border to Coast, we published Just transition in banking. This focused on how banks can integrate just transition considerations into credible climate transition plans.

This work underpins our long-term engagement with four UK banks – Lloyds, NatWest, HSBC and Barclays – and aims to turn ambition into action by providing clear expectations.

Since publication, we have held follow-up meetings with all four banks, and feedback has been generally positive. Challenges were highlighted, including how banks in emerging markets can apply just transition considerations, and we are collaborating with other investors to investigate this. We also presented to both IIGCC and the Ceres bank working groups and hosted a just transition masterclass on the role of banking on Asset TV.

Engagement: NatWest – AGM question on just transition

At the 2024 AGM, we asked NatWest's board to explicitly integrate just transition into its strategy and plans. We were thanked for our continued engagement and the chair shared that NatWest intend to lead on the topic. We held two meetings on either side of the AGM, where we discussed the challenges of developing an approach recognised by investors without risking a 'say-do' gap – when intentions do not correspond with actions or behaviours. Companies' disclosures are facing increased regulatory scrutiny, but we highlighted to NatWest that a reluctance to disclose might also prevent positive recognition with customers and investors alike. The company highlighted our investor expectations as a useful guide for them to follow.

Social and financial inclusion *continued*

Voting: Just transition

Shareholder proposals on just transition were put to a shareholder vote at five companies in 2024:

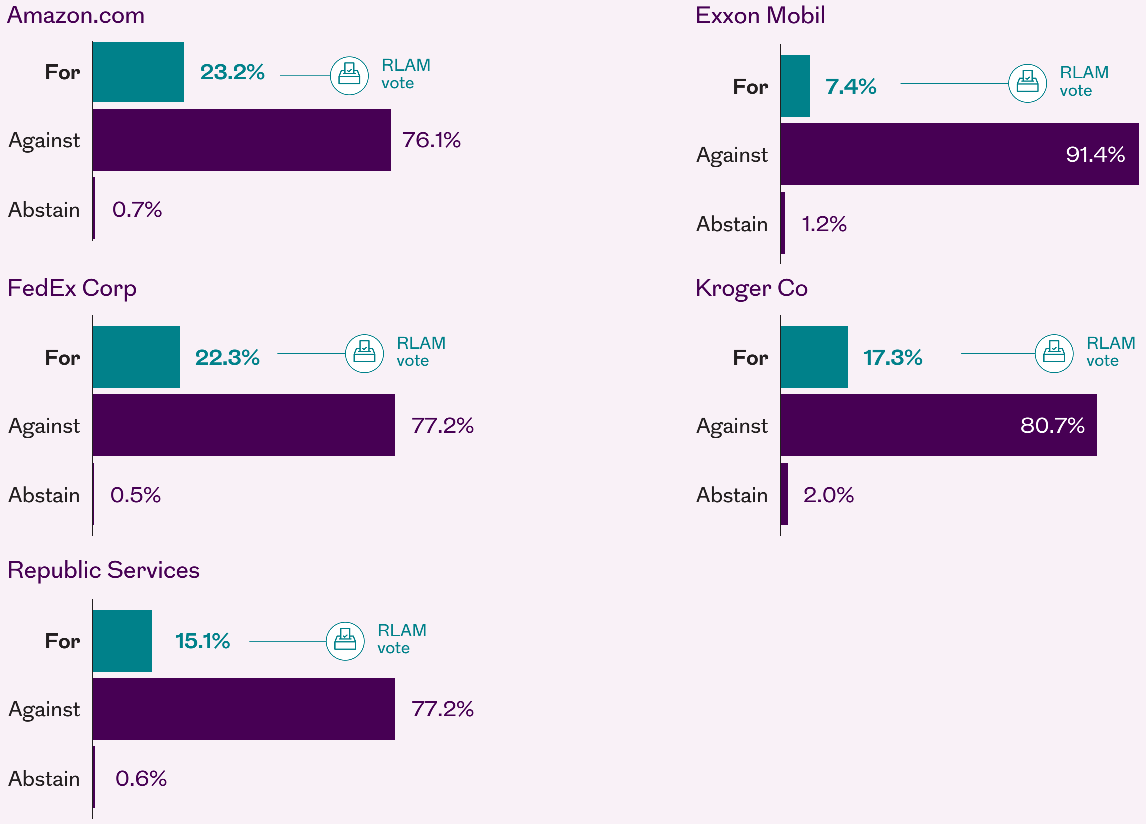
- Amazon.com Inc – e-commerce and technology company
- Exxon Mobil Corp – oil and gas major
- FedEx Corp – courier company
- The Kroger Co – food and drug retailer
- Republic Services, Inc – waste disposal company

At Amazon, FedEx and Republic Services, the proposal requested a report on the impact of climate change strategies on employees, supply-chain workers and local communities, in line with the just transition guidelines of the International Labour Organization and WBA.

The proposal at Exxon sought to understand the impact of closing or transitioning the company's facilities. Finally, Kroger's proposal focused on labour protections for workers in its agricultural supply chain.

The proposals were all reasonable and aligned with our position. Therefore, we voted *for* on all five shareholder proposals.

Voting results



Spotlight:
Just adaptation

We have been supportive of the science of climate change for years, actively engaging with companies through our Net Zero Stewardship Programme and advocating for a just transition that considers the social implications of a shift to a low-carbon economy. Although it is often overlooked, there is a second global goal established by the Paris Agreement on climate adaptation which is aimed at 'enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change'[1].

Just adaptation

As the impacts of global warming become more evident and severe, climate adaptation, a global goal of the Paris Agreement, is becoming critical. As with the transition to a low-carbon future, shifting to a more climate-resilient economy can have significant social implications, and good intentions can have unintended ripple effects. For example, seawalls built in Fiji to protect against rising sea levels disrupted the livelihoods of local people by preventing stormwater drainage and negatively impacting marine biodiversity.

A solution to this is a just adaptation approach that assesses risks and opportunities and seeks out the views and consent of affected stakeholders. Just adaptation aims to minimise the risk of adverse side effects or harmful consequences while maximising the benefits of adaptation solutions for wider society. These include increased biodiversity, carbon sequestration, better health and employment creation.

[1] Article 7 of the Paris Agreement.

Our just adaptation approach

In our future engagement with investee companies, we will encourage them to implement climate adaptation plans with built-in justice and equity. Doing so can help them mitigate financial and reputational risks while unlocking new opportunities to create value, generate impact and engage with stakeholders. We aim to raise company awareness of this emerging issue while gathering examples of companies' best practices and evolving our own understanding.

We expect our investee companies to address the following questions in their adaptation plans:

- Has the company developed an adaptation strategy in consultation with conservationists, ecologists, workers, communities and other key stakeholders likely to be affected?
- Has it assessed its adaptation strategy to identify risks and potential co-benefits for nature, workers, communities and other key stakeholders?
- Has the company developed measures to minimise the risks and maximise the co-benefits of its adaptation strategy? Where risks cannot be entirely eliminated, does it have a plan to support local ecosystems, workers, communities and other key stakeholders?
- Has the company made appropriate just adaptation commitments and disclosed targets and key performance indicators to track progress?

Engagement: Just adaptation at South East Water

British water companies are required to submit adaptation plans to the Water Services Regulation Authority – Ofwat. We engaged with South East Water to understand how it is managing the social and environmental risks of its adaptation activities. The company is incorporating biodiversity co-benefits by using various nature-based solutions to enhance the climate resilience of its water supplies. However, this often necessitates rewilding farming land, which can impact farmers and local farm workers. South East Water is addressing the tension between environmental and social implications by engaging with all stakeholders to seek a compromise.

Social and financial inclusion *continued*

Human rights data

When reviewing our engagement themes in 2023, we identified human rights as a critical focus linked to our social and financial inclusion theme. Like others, we have identified a lack of reliable data as a key barrier. Consequently, we joined the Investor Initiative on Human Rights Data in 2024. As long-term investors, we face challenges in assessing corporate-level human rights risk due to data gaps, particularly the implementation of due diligence and policy-level commitments.

Human rights data often centres on controversies, making it difficult to gauge a company's potential human rights risks before they materialise. Controversy-led data can be biased against larger and more high-profile companies and relies heavily on publicly reported incidents. To address this, we are leading an engagement with Bloomberg to understand and enhance its approach to human rights data. Our goal is to enable investors to gain a better understanding of the impacts of their investments on human rights, as well as risks or challenges posed to company and investment performance.

Our engagement began by understanding Bloomberg's current ESG data, and in 2025, we will present a clear set of investor recommendations for improvement. Additionally, we will continue to horizon scan to assess how the CSRD and Corporate Sustainability Due Diligence Directive (CSDDD) can enhance information for data providers. Bloomberg has completed an initial analysis for the investor group identifying 38 human rights data points in their dataset. Of these, 24% will be covered by future reporting requirements.

Financial inclusion

Microfinance

Microfinance encompasses a range of financial services provided by global institutions, tailored for individuals and small enterprises in emerging markets who lack access to traditional banking services. When implemented responsibly, microfinance can contribute to poverty alleviation and promote financial inclusion. It is particularly effective in empowering women, enhancing their livelihoods, and generating broader socio-economic benefits for the community.

Delving deeper

Investors and financial institutions often take the positive impacts of microfinance at face value without necessarily assessing the social impacts or whether customers are protected. Evidence suggests that microfinance can have positive outcomes, but abuses can occur if appropriate consumer protection and supervision are absent.

As responsible investors, we engaged with five of our investee companies to gather additional information to help better determine whether they provide responsible microfinance that supports positive societal outcomes.

Developing best practices

Through our engagement, we identified the following best practices. These best practices can be used in conjunction with the Cerise + Social Performance Task Force (SPTF) Client Protection Pathway – a recognised industry standard.

- **Governance and policy:** establish principles that require microfinance institutions to adopt fair practices and thorough client due diligence.
- **Continual monitoring:** perform independent, annual due diligence assessments, including branch visits and reviews of the institution's operations.
- **Stakeholder engagement:** engage with microfinance end-customers to gain insights into their experiences.
- **Transparency:** disclose social performance metrics of microfinance, such as job creation numbers, hours of support and training provided, and the proportion of female and rural clients served.
- **Community engagement:** offer financial education and community services to microfinance customers.
- **Collaboration:** participate in industry-wide efforts to promote responsible and inclusive financing.

By encouraging these best practices, companies can better identify and mitigate the risks of operating in this space.

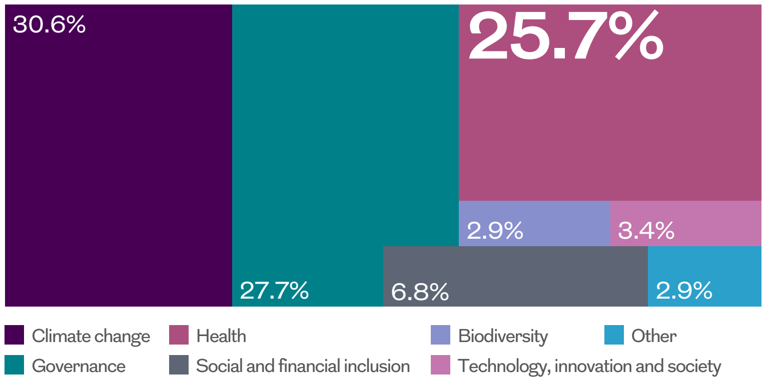
Health

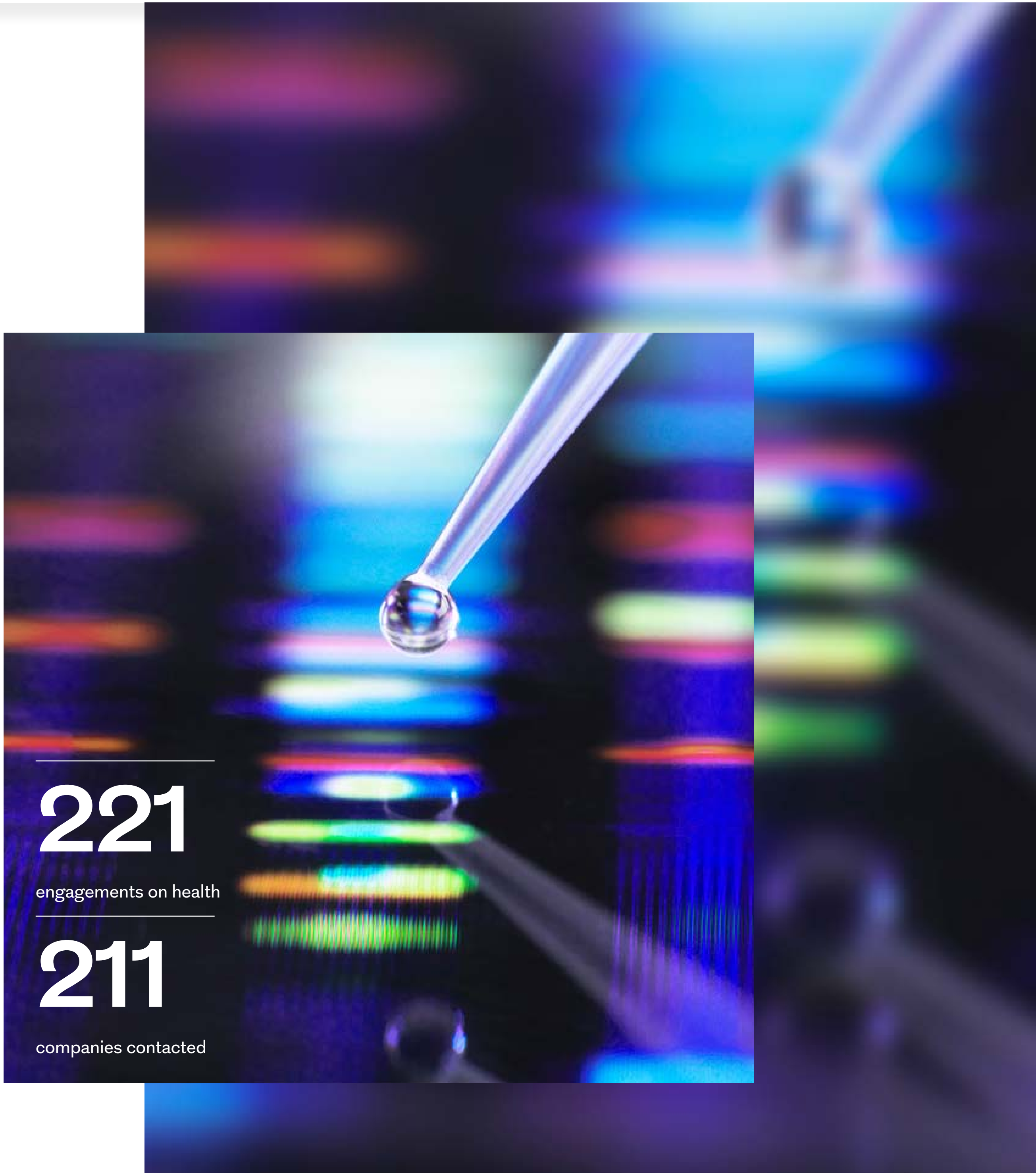
Assessing human health risks and impacts can help make informed investment decisions that can support both financial returns and societal wellbeing. We expect our investee companies to promote and support the wellbeing of employees, customers and communities. We also encourage greater transparency, acknowledging in many cases it can be very difficult to measure a company's contribution to improved human health.

Highlights

- Engagement with wastewater companies to address antimicrobial resistance risk
- Continued engagement under the CCLA Corporate Mental Health Benchmark
- Led collaborative engagement with Roche as part of the Access to Medicines Index.

Health engagements





Spotlight:
Antimicrobial Resistance

As described by the World Health Organization (WHO), Antimicrobial Resistance (AMR) occurs when "bacteria, viruses, fungi and parasites no longer respond to antimicrobial medicines" such as antibiotics, antivirals and antifungals. Globally, an estimated 1.27 million deaths in 2019 were directly attributed to drug-resistant infections. WHO lists AMR among the top 10 threats to global health and estimates that 10 million lives could be lost each year by 2050.

Links to wastewater

Wastewater is a significant contributor to AMR. It serves as a convergence point for sources such as agricultural run-off, pharmaceutical manufacturing discharge, domestic outflows and hospital effluents, allowing antibiotic discharge and microbes to gather. As a result, resistant genes can be transferred between microbes.

Wastewater is strongly linked to increased antimicrobial resistance in river bacteria and affects areas adjacent to water treatment plants. This connection underscores the importance of addressing wastewater management to combat the spread of AMR.

Managing the risks

Seven of the 10 UK wastewater companies in our engagement programme identified AMR as a significant risk and have taken proactive steps to address it. Notably, several have participated in the Water UK Chemicals Investigation Programme, which involves major water and wastewater companies in England and Wales, alongside regulators such as the Department for Environment, Food and Rural Affairs (Defra), the Environment Agency and Natural Resources Wales.

The programme investigates the impact of wastewater and sludge treatment processes on the presence and spread of AMR bacteria and genes. Several companies have also collaborated with academic institutions to assess the prevalence and risks of AMR bacteria in wastewater.

Supporting global action

AMR is a significant threat to public health. As we deepen our understanding of this systemic risk, we acknowledge that its impact extends beyond water companies. In light of this, we are a signatory of the Investor Action on AMR (IAAMR)'s Public Investor Statement, which advocates for global action to combat drug resistance and highlights the need for coordinated efforts to address AMR. These include establishing science-based targets, promoting effective stewardship and ensuring equitable access to antimicrobials. For further information on AMR, please see our report Antimicrobial resistance among the top 10 threats for global health.

Engagement: Severn Trent leads the way in managing AMR risks

Severn Trent stands out in our engagement programme for its proactive approach to managing the risk of AMR and exemplifying best practices. The company actively participates in the Digital Health Hub for AMR, collaborating with leading academics to tackle the issue of antibiotics that persist in the environment and are resistant to wastewater treatment processes. This initiative aims to develop antibiotics that degrade more effectively, reducing their long-term environmental impact.

Recognising the growing risk of pathogens in river bathing areas from sewage works and agricultural run-off, Severn Trent has installed real-time water quality monitoring systems in three new bathing areas. These systems provide direct measurements of bacterial levels, accessible to the public, which enhances transparency and safety.

Other companies have made progress by implementing advanced treatment methods such as ultraviolet treatment and ceramic membranes to improve water quality. We are also encouraged to see that the sector continues to collaborate with experts to deepen the understanding of this emerging risk.

Health *continued*

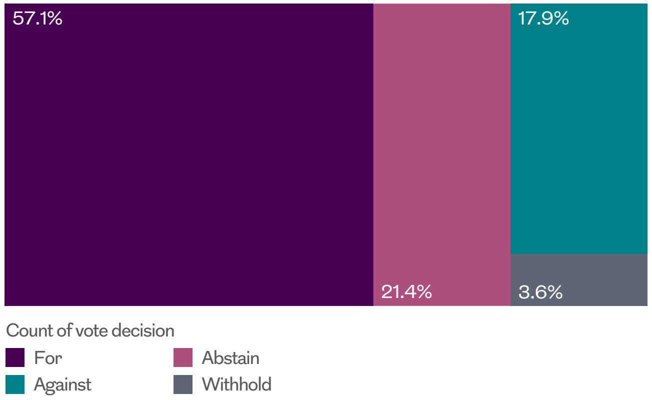
Voting: Health

Across all of our holdings there were 28 shareholder resolutions during 2024 that concerned health or health-related issues. Of these, we supported 57%.

We voted *against* two of these proposals as they were seeking to roll back policies to support employee health. The proposals requested reports and ultimately asked for the end of employee benefit schemes covering women's reproductive healthcare and gender dysphoria and/or gender transitioning.

We supported a shareholder proposal at Uber Technologies Inc requesting a third-party audit into driver health and safety. We also supported a proposal at Alphabet, the owner of Google, to issue a report into misleading content on its platforms on reproductive healthcare.

Health shareholder proposals



Collaboration: Mental health at Rentokil

Since 2023, we have actively participated in the Churches, Charities and Local Authorities (CCLA)-led investor collaborative engagement focusing on the Corporate Mental Health Benchmark and we are the lead in engaging with Rentokil Initial plc on this crucial issue.

Rentokil is a global leader in commercial pest control and hygiene services, critical in addressing health concerns around pest-borne diseases, poor hygiene and airborne pollution. In 2023, Rentokil Initial plc progressed to tier 4 of the CCLA benchmark. However, in 2024, it fell back to tier 5, the lowest performance tier.

The company acknowledged that its current public disclosures do not adequately reflect the initiatives undertaken to address the mental health of its workforce. It has shown openness to feedback on improving transparency for investors and other stakeholders.

Based on the benchmark findings, chief executive officers (CEOs) play a critical role in fostering a culture of openness. It is considered best practice for company leaders to demonstrate their commitment to workplace mental health. Therefore, we strongly encouraged Rentokil to publish a CEO statement. To further enhance transparency, we also suggested that the company formalise its approach by publishing a policy on workplace mental health, signalling its importance to the business.

Reviewing its current disclosures, we noted a lack of detailed information on initiatives across its global offices. This does not align with the information gathered during our engagement, which highlighted financial wellness programmes for colleagues and resilience training within the UK business.

Collaboration: Eli Lilly and access to medicine

In 2024, we became a lead investor in the Access to Medicine Foundation collaborative engagement with Eli Lilly, aiming to encourage companies to promote access to medicine and improve healthcare outcomes.

Eli Lilly, an American multinational pharmaceutical company, has demonstrated strong commitment to this cause through various initiatives, including its Lilly 30x30 programme. This aims to improve access to quality healthcare for 30 million people annually by 2030.

Our engagement with Eli Lilly focused on the opportunities identified by the Access to Medicine Index (the Index). These included understanding the company's responsible promotional practices and planning strategies. We met with the company and discussed key topics such as the governance structure of the Lilly 30x30 programme and the incentives for achieving its milestones. We learned that Eli Lilly has a dedicated team working towards the targets of this initiative, with their remuneration packages aligned to its successful implementation.

Eli Lilly has committed to identifying opportunities for product development and planning improvements. The company prioritises initiatives that have the potential to improve access to medicine for underserved populations. Additionally, Eli Lilly has developed a structured framework to ensure all late-stage research and development projects have comprehensive access plans (ensuring underserved patients can get the medicines they need). To align with the Index, the company has improved its disclosures and transparency.

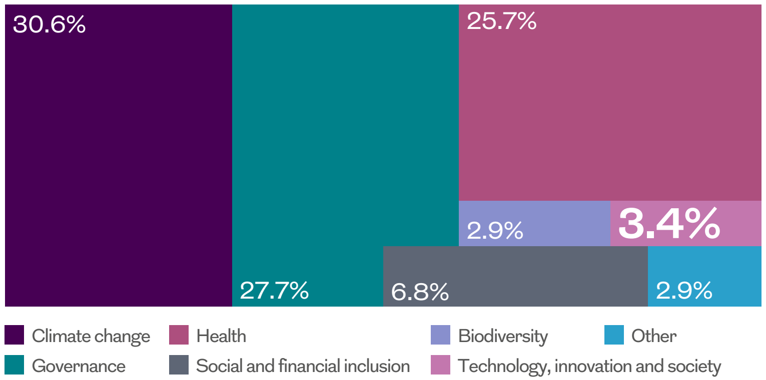
Innovation, technology and society

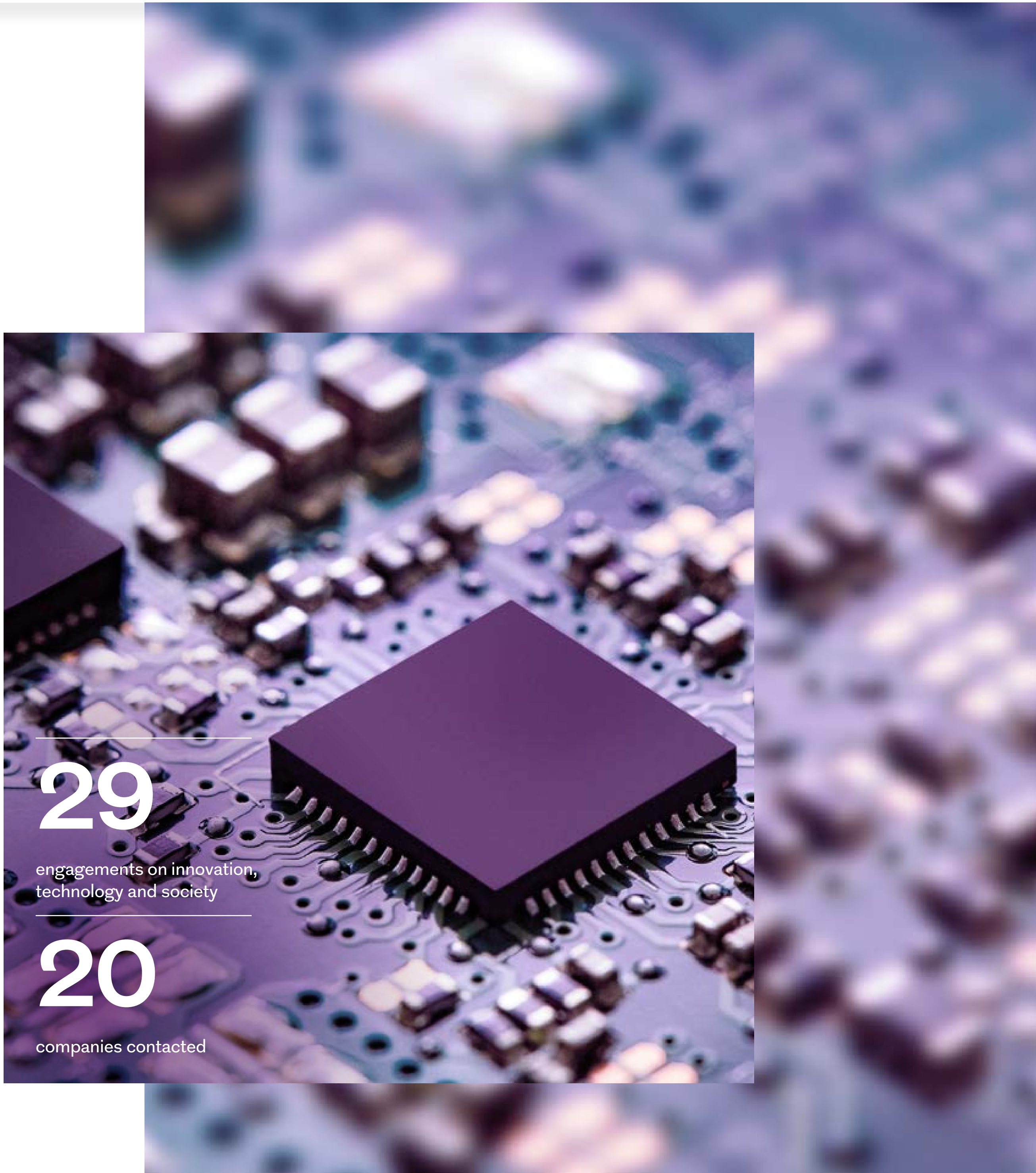
Artificial intelligence (AI), data privacy, censorship and the ever-increasing growth of technology are issues we expect companies to scrutinise and plan for. In a rapidly evolving digital world, we support several initiatives to strengthen cyber resilience and the ethical application of technology in the companies we invest in.

Highlights

- Started engagement on sustainable and ethical AI
- Joined the World Benchmarking Alliance collaborative engagement on ethical AI
- Continued collaboration on cyber security with published guidance for asset owners and asset managers.

Innovation, technology and society engagements



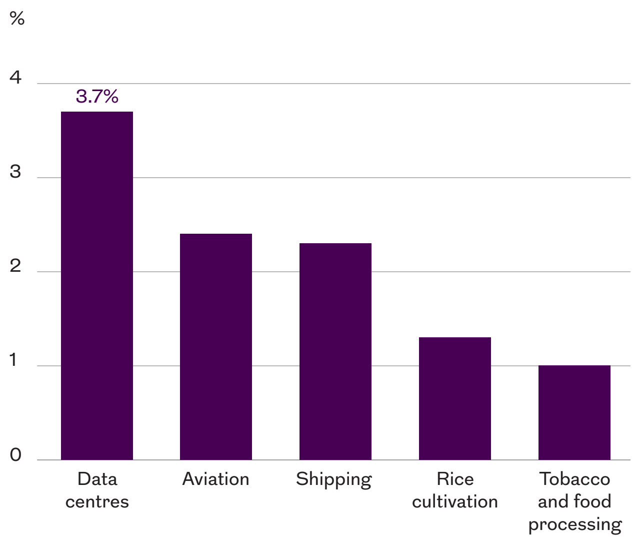


Spotlight:
Sustainable and ethical AI

We recognise AI's potential to drive innovation, enhance services and improve efficiencies. It is also a great investment opportunity as highlighted by our Equities team on page 46. We also acknowledge the growing ethical and sustainability concerns and challenges around its use. Against this backdrop, we are committed to supporting sustainable and ethical AI practices that safeguard our clients' investments while promoting positive societal and environmental impacts.

Environmental sustainability and AI

Global cloud computing emissions exceed those from commercial aviation



Share of global CO_2 emissions generated by sector/category

What is ethical AI?

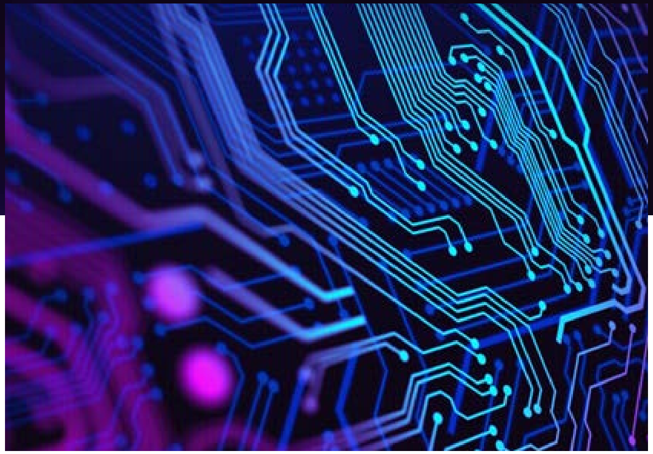
Ethical AI adheres to principles of fairness, transparency, accountability and respect for human rights. We believe it can benefit companies by fostering innovation, creating trust with customers and enhancing services. However, we are concerned about instances where AI systems could be designed and managed inappropriately.

Why it matters

AI bias is one of our primary ethical concerns. AI systems trained on large datasets may contain historical biases, which, if unaddressed, can perpetuate and amplify inequalities. For example, biased AI algorithms and facial or voice recognition could lead to discriminatory hiring practices and unfair treatment of certain demographics.

We advocate for robust bias mitigation strategies to ensure AI systems are fair and inclusive, and we encourage effective governance and oversight to ensure they are used responsibly.

AI represents a significant climate and social risk due to the substantial energy needed to power data centres. A data centre's environmental footprint includes electricity to operate servers, water consumption to cool servers, and the lifetime of the equipment. Additionally, the training and operation of AI models require vast amounts of computational power. All this leads to high energy consumption and carbon emissions. At a minimum, AI has the potential to compete for energy against other domestic and commercial uses, but it also has the potential to contribute substantially to higher emissions if it uses high-emitting energy sources, for example, fossil fuels.



What we are doing

By leveraging AI for environmental good, companies can reduce their carbon footprint and create long-term value for their stakeholders. Responsible management of energy use helps support a robust investment case. Therefore, we encourage companies to adopt energy-efficient AI practices and invest in renewable energy sources to power their AI operations. Moreover, we support the development of AI technologies that contribute to environmental sustainability, such as optimising energy consumption in buildings and reducing waste in manufacturing processes.

We encourage companies to follow the recommendations of the WBA Digital Collective Impact Coalition by demonstrating how they implement ethical AI principles. This includes conducting AI-related human rights impact assessments and providing an overview of their AI governance.

In 2024, we launched a new engagement to explore how companies approach ethical and sustainable AI. Initially, we focused on gathering information and sent a questionnaire to nine companies to better understand their practices in this regard. In 2025, we are assessing the responses and identifying best practices. We plan to share these insights and promote responsible AI through an engagement for change programme.

Innovation, technology and society *continued*

Investment view – Mike Fox, Sustainable Investment

AI revitalised the markets in late 2022. Amid a period of rising interest rates that undermined nearly all asset prices, AI – most notably the emergence of ChatGPT – transformed industries by introducing new and diverse applications. This led to improved market prospects for many companies.

Despite suspicions that AI has been overhyped, our view is that AI will take its place alongside the defining investment trends of our lifetimes, similar to the impact of the personal computer, the internet and smartphones. As we know, these innovations have profoundly changed society and created significant investment opportunities. Although it is still very early in its evolution, AI has enormous potential.

There are multiple ways to invest in AI, from large software companies like Microsoft to semiconductor companies like NVIDIA, but perhaps the most underappreciated opportunities are in the physical world. AI requires huge amounts of electricity, land and buildings, among other things. AI will also transform various industries, including drug discovery, transportation, investment management and healthcare.

AI has the potential to lift economies and markets to a new level. Its impact will be at least as important, and likely much more so, than the future path of interest rates and inflation, which dominate so much of our current investment discussions.

Article originally published May 2024, full article can be found here.

Mike Fox
Head of Equities

Investment view – Paul Schofield, Global Equities

The trade of the year in equities must surely have been AI related with NVIDIA, the poster child of the space, now having a market cap of nearly US$3.5 trillion and representing nearly 5% of the MSCI World Index. So far, so good. The question we must now ask ourselves: is all the hype warranted or is it just that, hype?

What is undoubtedly true is that the adoption rate has been rapid. A recent paper by the National Bureau of Economic Research indicated that some 39.4% of the working population in the US used generative AI in August 2024, which in terms of the adoption curve, surpasses the PC and the internet.

Having said that, the adoption of AI to this point has been predominantly individuals using free tools rather than business adoption, which has been much slower. While many of the initial forecasts for AI on, say, productivity gains were extremely impactful, I am reading more and more reports downplaying its potential impact. I don't have all the answers, but I do get the sense that the bulk of productivity gains will be some way down the track and that the story will be with us for many years to come. Are the stocks expensive? One could probably argue that either way.

Interview originally published December 2024, full report can be found here.

Paul Schofield
Head of Global Equities

Innovation, technology and society *continued*

Cyber security

In this digital era, companies need robust defences against cyber threats to safeguard their assets. Despite the significant risks to investors, companies often hesitate to disclose information on their defences due to its sensitive nature and the worry that it could lead to more cyber attacks. Therefore, direct engagement is vital in order to gather insight and information on how companies are managing these risks. Of the 56 companies we contacted over the last four years, 73% responded.

In the past two years, we have engaged with seven companies to drive change, leading on five and acting as the supporting investor for two.

To monitor change over time, we developed a set of investor expectations and a scoring methodology. We evaluate companies' performance against our expectations on a scale of 0 to 55. Encouragingly, all five companies we engaged directly with showed score improvements from the initial review of their public disclosures, and four moved up a tier.

Guiding investors

Recognising the critical importance of cyber security, we have published investor guidance for asset owners and asset managers, outlining our expectations for engaging with companies on this topic. Please find our report here.

56

companies contacted

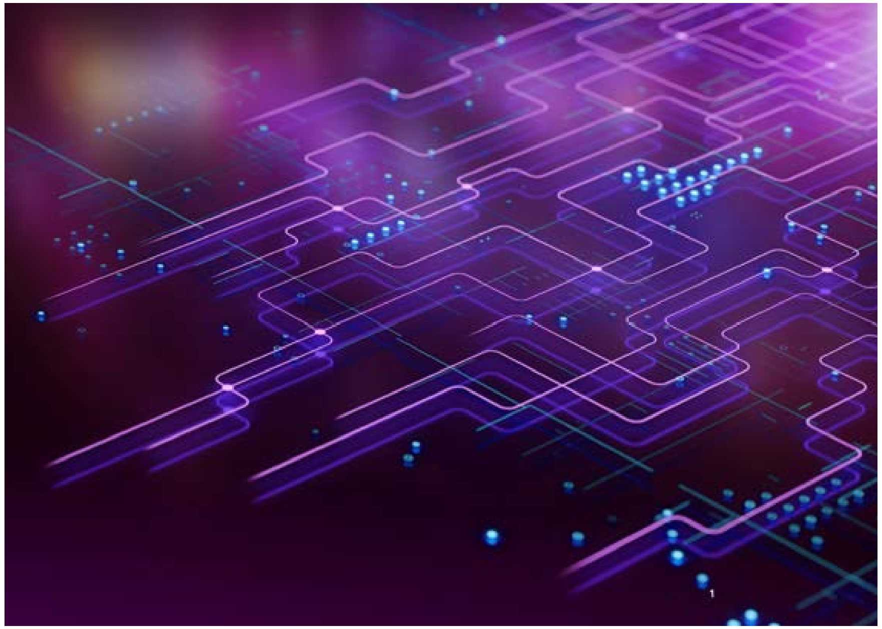
73%

response rate

Engagement: An oil and gas company (score improved from 25 to 40)

Our engagement with a global oil and gas company revealed best practices in supplier cyber security management. All new suppliers to the company undergo a rigorous process involving external and internal intelligence. Additionally, the right to audit suppliers is embedded into contracts, demonstrating best practice.

Based on our expectations of the company, we made several recommendations regarding the board's oversight of cyber security risks and suggested integrating cyber risk management into broader governance performance indicators and executive remuneration. The company has acknowledged our recommendations, and we will follow up on progress at our next engagement.



Cyber security score

Leader
Score 45-55

Good
Score 34-44

Average
Score 23-33

Below average
Score 12-22

Laggard
Score 0-11

Engagement: An international bank (score improved from 29 to 41)

We engaged with an international bank that exemplifies best practices in cyber risk management by aligning with National Institute of Standards and Technology (NIST) and ISO 27001 best practice standards.

The bank's first line of defence is an internal control testing team, which uncovers over 65% of issues, while independent external audits cover all operations and controls. The company also demonstrates strong vulnerability management, including penetration testing for minor code changes and maintaining a 15-person strong red team (a group that simulates attacks to test and improve an organisation's security defences). Based on our engagement, we are pleased with the bank's timely disclosure of breaches, transparency in supply-chain management and due diligence.

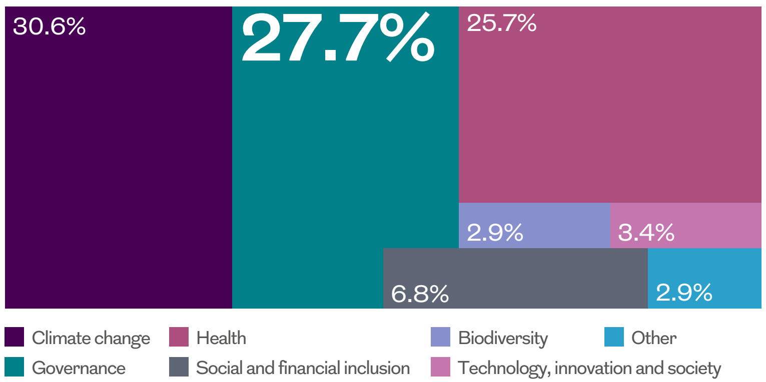
Governance and corporate culture

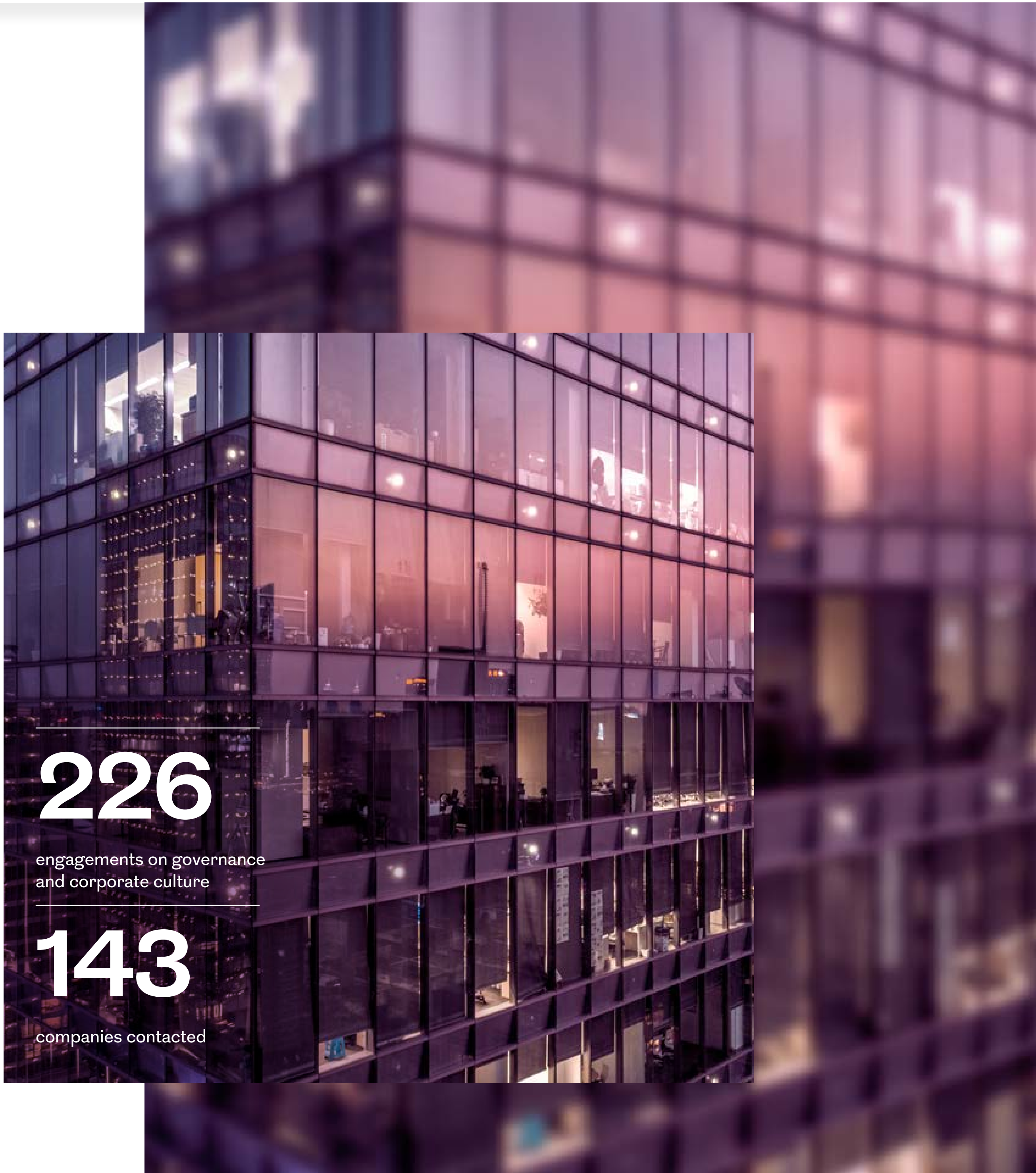
We believe good governance, a healthy corporate culture and a diverse workforce create resilient businesses and support inclusive decision making. We expect companies to have strong boards, appropriate pay structures, and robust audit and accounting procedures.

Highlights

- Engagement with Vistry
- Improving workforce engagement
- Remuneration voting and UK competitiveness.
- Collaboration on diversity

Governance and corporate culture engagements





226

engagements on governance and corporate culture

143

companies contacted

Governance and corporate culture *continued*

Collaboration: Enhancing employee voices on boards

We believe including employee input in boardroom decisions can mitigate risks, identify improvement areas early, and enhance employee wellbeing and morale.

Our engagement goals are to:

1) understand the company's current approach
2) encourage (where appropriate) the appointment of workforce directors
3) clarify how workforce satisfaction is measured and disclosed.

Diverse approaches to employee engagement

The UK Corporate Governance Code provides companies with multiple options. We believe companies should adopt the mode of engagement most relevant to them, and clearly explain the reason and activities undertaken during the year.

Oil and gas exploration company Serica Energy elects not to appoint any individuals to discharge its duty of workforce engagement, preferring to keep all board members open to the workforce. It expects its executive team to be in regular contact with employees, particularly those based offshore, and to provide feedback to the board.

On the other hand, speciality chemicals and technology company Johnson Matthey favours a hybrid model that includes engagement surveys alongside employee lunches, board 'speed dating' events and walkarounds, with all findings reported back to the board. Similarly, global cruise company Carnival told us of a mixture of approaches to overcome difficulties with onboard colleague engagement. These include onboard leadership visits, a mobile HR app and mental health initiatives.

Challenges gathering feedback

Some companies have difficulty gathering employees' feedback, given the scale and diverse locations of their operations. British American Tobacco explained the challenges in collecting its employees' responses at the factory and farm levels. While the company does not have a workforce director in place, it expressed willingness to engage with workforce directors from other companies to better understand how this position works in practice.

Kier Group, the construction, services and property group, has similarly spread-out locations. However, it has concluded that the best way to address this is by making each board member responsible for engaging with the workforce. And it seems to be working. Its employee survey participation rate increased by 28% from the previous year and the company is focusing on its culture programme, which is tracked and monitored on a scorecard.

Workforce directors

As part of a collaborative engagement programme led by Railpen, we encourage companies to consider appointing dedicated workforce directors. International infrastructure group Balfour Beatty told us it is assessing the possibility of classifying employee representatives as full directors. If implemented, this would significantly increase the influence and importance that Balfour Beatty attributes to the employee voice.

We also spoke to sports fashion retailer JD Sports and suggested that employees shadow a board director, to help with a potential transition to employee directors in the future.

Weak disclosure and reporting

In almost all our engagements, we pressed companies to improve their disclosure and measurement of employee engagement. Serica Energy, although committed to conducting employee engagement surveys, does not disclose the results, and while Carnival was able to provide us with examples of positive change following workforce engagement, we encouraged the company to increase its public disclosure. Johnson Matthey has also committed to including clear employee engagement outcomes in its future reporting.

Next steps

We intend to look at how companies identify and manage corporate culture and tackle misconduct, bullying, harassment and other forms of discrimination.

Engagement: Governance failings at Vistry Group Plc

Governance concerns

Our concerns around UK housebuilder Vistry Group began in 2023. There was talk of pressure from certain shareholders to make significant changes to its remuneration and adopt a more US-style approach to pay. This was followed by the successive departures of two non-executives who had served on its remuneration committee. We spoke to Vistry's chair and voiced our concerns at the time but supported his re-election in May 2023 with the aim of further engagement.

The new remuneration policy was voted on in August 2023, and we voted *against* it along with almost 45% of shareholders.

Further deterioration

In January 2024, it was announced that Vistry's chair would be stepping down, with the current CEO assuming the combined role of executive chair. This is contrary to accepted practice in the UK and raised concerns over power concentration and conflicts of interest. We and around 20% of shareholders voted *against* his re-election in May 2024, which is a high vote *against* by UK standards.

We spoke to Vistry again to reiterate our serious concerns with the arrangement. The company, however, maintains that this structure will bring stability in the near term and plans to return to a more standard arrangement in a few years when the CEO retires.

Consequences

As a result of these events and the failure to produce any improvements through engagement, we considered the company's governance risk to have increased. Consequently, several of our investment teams reduced their holdings in the company during 2024.

Governance and corporate culture *continued*

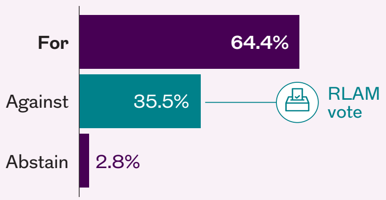
Voting: UK remuneration

There was more controversy over executive pay in 2024. Rather than the incremental changes we have seen in recent years, several companies sought to overhaul their policies to try to address their concerns about global pay competitiveness. We do not oppose changes to executive pay purely based on quantum – we are willing to pay well for good results. But we carefully analyse each proposal on its own merit.

AstraZeneca plc

Global pharmaceuticals business AstraZeneca proposed significant increases to its bonus and long-term incentive plan (LTIP). These, along with previous increases, would take the maximum variable pay of its CEO from 680% to 1,150% of salary in five years. The rationale behind this included the company's strong performance, significant growth and greater competition for talent. However, we did not think the CEO was materially underpaid compared to a global peer group. Therefore, we voted *against* the remuneration policy.

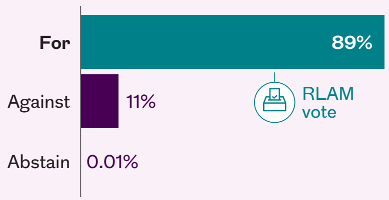
Voting results



London Stock Exchange Group plc (LSEG)

The proposals from LSEG, the financial markets infrastructure group and operator of the London Stock Exchange, followed a similar pattern. The CEO's pay changes were significant across both fixed and variable elements – a 37% pay rise, an increased bonus from 225% to 300% of salary and a rise in the long-term incentive from 300% to 550%. While we would have preferred a more restrained approach in response to shareholder feedback, we felt the changes essentially brought the company into line with its peers. As such, we voted *for* the remuneration policy.

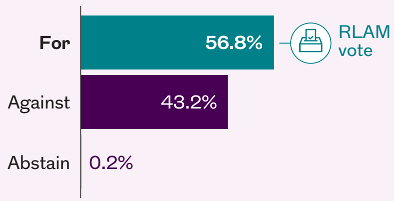
Voting results



Smith and Nephew plc

Smith & Nephew, a medical device company with a significant US presence, proposed a restricted share scheme at 125% of base salary to sit alongside a traditional LTIP. This is not something we would ordinarily support. However, as the arrangement was restricted to one executive based in the US, we considered this to be reasonable. If performance is poor in the future, we would expect to see the share restriction enforced. We will also not support future proposals if adequate discretion is not exercised. We voted *for* the remuneration policy.

Voting results



Governance and corporate culture *continued*

Remuneration: Voting trends

Globally, we voted *for* 65% and *against* 34% of all remuneration-related proposals.

Support for UK remuneration reports and policies is the highest of the regions, at approximately 83%. Higher support in the UK reflects the high standards of disclosure, as well as our ability to engage extensively with companies prior to a vote.

Support in Europe and the Rest of the World for pay proposals was 65%. US pay support was lowest at 43% due to significantly lower pay-for-performance linkage and the persistent payment of extensive one-off recruitment and retention awards.

Engagement: Encouraging and promoting ethnic diversity

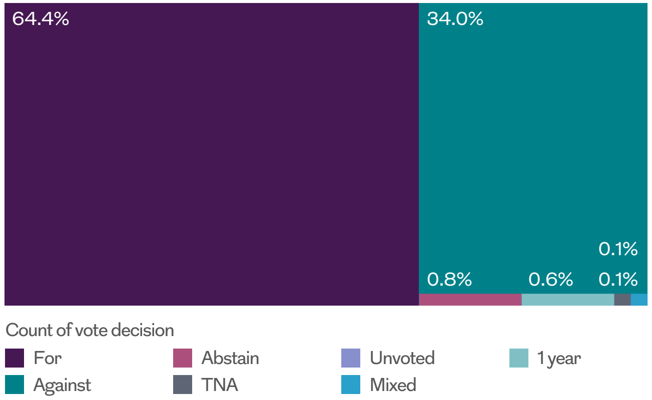
In 2021, we outlined our first ethnic diversity engagement project and identified companies that were performing below target. We have since followed up with several companies to assess their progress as well as continuing our collaborative work with the 30% Club.

Voting: Diversity

We voted *against* the chair of the board at three UK companies and *abstained* on 19 occasions due to non-compliance with the Parker Review's target for FTSE 250 companies to have at least one member on the board from an ethnic minority background.

Globally, we voted *against* 261 companies for failing to have adequate board diversity (gender or ethnicity) or for not having targets or policies to improve boardroom diversity.

Remuneration: Voting trends



Collaboration: 30% Club

As a member of the 30% Club and co-chair of the UK Investor Working Group, we engaged with FTSE 250 companies that had not met the Parker Review's recommendation of having at least one ethnic minority director on their board by the end of 2024.

We met the board chair at AJ Bell, the online investment platform and stockbroker, to discuss its progress. The company is working with headhunters and has expanded its search criteria to ensure it finds suitable candidates. Despite previous challenges, AJ Bell was confident it would appoint an ethnic minority non-executive director (NED) by the end of 2024. It has also updated its diversity and inclusion (D&I) policy, achieving high disclosure rates for diversity data, and is planning to disclose ethnicity pay gaps in the future.

Following this conversation, the company did appoint a director later that year and now meets the Parker Review recommendations.

Engagement: Victrex plc

When we first spoke to Victrex we advised the company to improve its ethnic diversity data collection, enhance boardroom diversity and set measurable workforce objectives. Following our first meeting, internal diversity surveys highlighted the large Asian employee base, in turn resulting in the appointment of an Asian board member. The company has also set clear diversity, equity and inclusion (DEI) targets with the aim of reflecting the ethnic diversity of the regions in which it operates. It has expanded the US Race4Equality group to the UK and focused on employee engagement, including facilitated DEI sessions and employee involvement in board meetings. These efforts have resulted in a more diverse and engaged workforce, showcasing the company's commitment and aligning with our feedback and recommendations.

Engagement: Integrafin Holdings plc

The company has made significant strides since our initial engagement in 2021. It has enhanced its data collection processes, increased female representation on the board, and successfully participated in diversity initiatives like the 10,000 Black Interns programme. The programme led to the successful permanent appointment of two interns, showcasing the positive outcomes of such initiatives. These improvements align with our recommendations on better data collection and inclusive recruitment practices, demonstrating the company's commitment to diversity and inclusion.

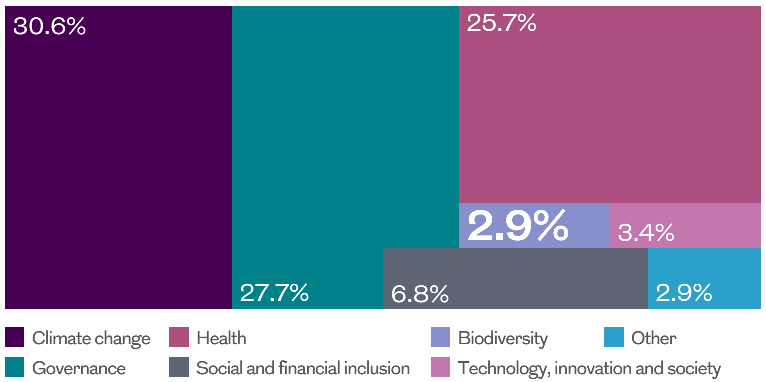
Biodiversity

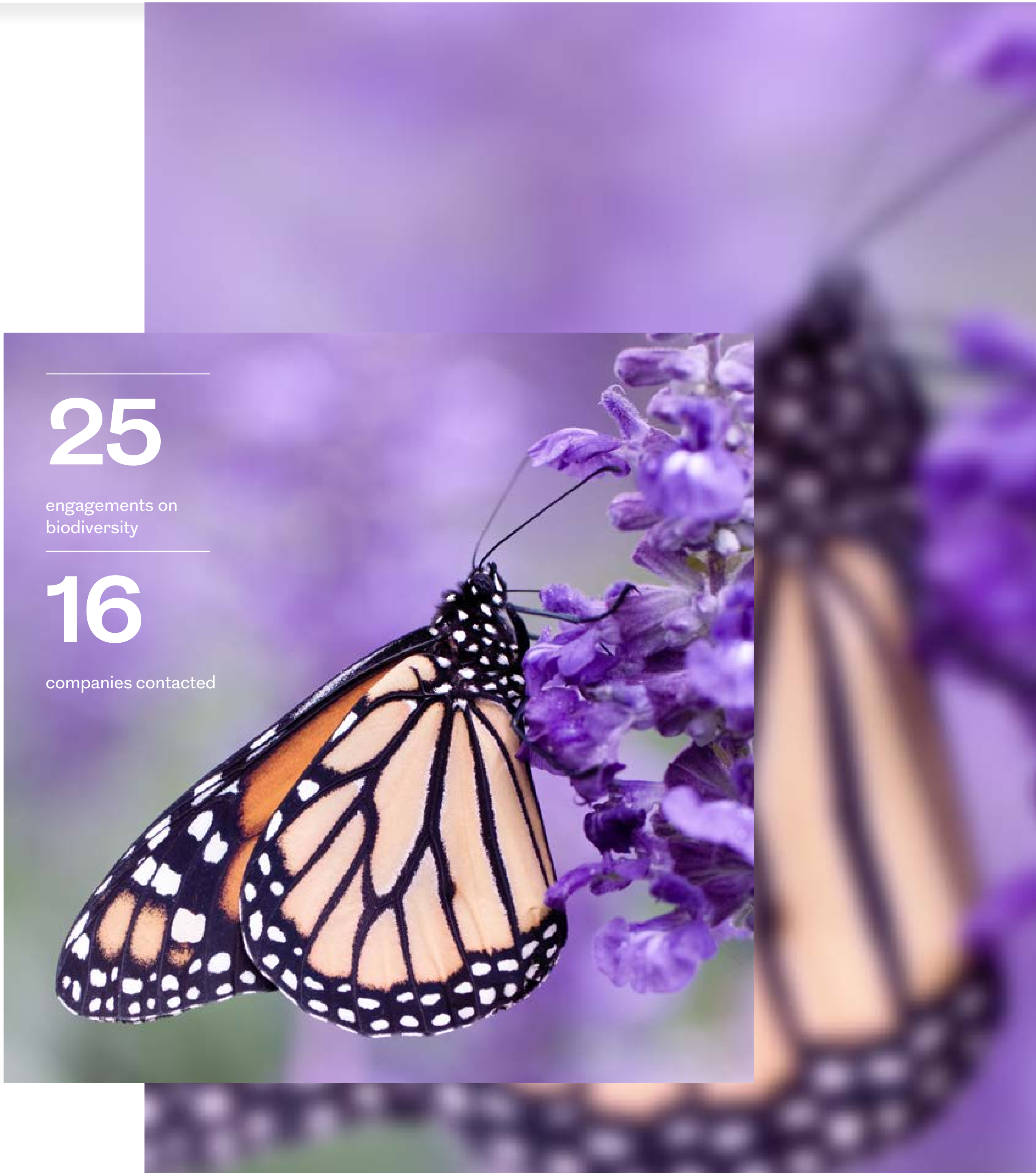
We aim to understand the impact of our investment decisions on biodiversity and the associated dependencies, risks and opportunities. We have started to engage with companies to improve their stewardship of nature, encouraging them to enhance their knowledge, management and disclosures to protect our environment.

Highlights

- Created a nature and biodiversity analysis tool
- Engaged with two companies as part of Nature Action 100
- Engaged with water companies on biodiversity.

Biodiversity engagements





Biodiversity *continued*

Tools and data

To address our clients' growing interest in biodiversity and to begin to meet the TNFD's disclosure requirements, we are developing our approach and data infrastructure to provide TNFD-related analysis and disclosures on this theme. These tools will allow us to analyse companies' biodiversity-related data, their impact and dependencies on nature and the resulting financial risks and opportunities.

Methodology, raw data and metrics

Our in-house tool allows us to analyse nature and biodiversity impacts and dependencies at the company, industry and entity levels and, as a result, potential risks and opportunities for our investment.

The tool uses physical raw data, location data and various other metrics to enable research and analysis of the material key drivers of nature loss at the company level. These drivers (also known as pressures) include land use change, resource use (including water), climate change and pollution. The tool also covers proxies for environmental impacts, such as business activities in sensitive areas. Furthermore, the application of a Science-Based Target for Nature (SBTN) materiality assessment helps us identify additional data to investigate other material environmental and nature-related challenges.

We have started trialling the tool initially our Sustainable and Global Equity teams. Based on their feedback, we are enhancing its coverage and functionality.

Nature Action 100

We are members of Nature Action 100, a global initiative encouraging companies to disclose their impacts and dependencies on nature and to act to reverse nature and biodiversity loss. Working with Nature Action 100 allows us to come together with other investors to provide companies with clear and consistent expectations. We want companies to take timely and appropriate actions to protect and restore nature and ecosystems where they operate. These include:

- minimising contributions to key drivers of nature loss, and conserving and restoring ecosystems by 2030
- assessing and disclosing nature-related dependencies, impacts, risks and opportunities
- setting time-bound, context-specific and science-based biodiversity targets.

As part of this initiative, we are engaging with two companies, Tyson Foods and UPM.

Engagement: Tyson Foods

Tyson Foods is a US-based food company that processes and sells predominantly beef, pork and chicken. We targeted the company due to the significant environmental impact of the production and processing of its products.

We had an investment call with the company in November 2024, where we asked about environmental risks. The company reinforced its desire to be stewards of the environment and to protect nature. We had a follow-up call with its sustainability team to discuss the environmental risks that threaten the company, such as heat-related risks. We also highlighted the improvements that we want to see in its reporting.

Biodiversity *continued*

Engagement: UPM – going beyond responsible forestry

UPM is a Finnish forestry company that produces paper and wood products, biofuels and energy. Given the company's significant impact on nature, our engagement sought to understand its board's oversight, how it is assessing its environmental impact and whether it is willing to set nature-related goals.

Responsible forestry

At a meeting in September 2024, we learned that the company's executive vice president of stakeholder relations oversees responsibility for its nature and biodiversity strategy. The company's strategy extends beyond deforestation risk and embraces responsible forestry. UPM also spoke about its Biofore approach, which puts the bioeconomy and sustainable growth at the heart of its strategy and focuses on renewable products.

Data is complex

UPM has engaged in piloting and providing feedback on the Science-Based Targets for Nature (SBTN) methodology. However, the company faces significant challenges in disclosing value chain data due to the complexity and the lack of comprehensive data from its extensive network of 20,000 suppliers. However, it is actively working towards obtaining the relevant data which would help provide clarity around nature loss.

Restoring and protecting ecosystems

UPM has committed to restoring over 3,000 hectares of peatland and 500km of stream waters. UPM's own managed forests are certified by the Forest Stewardship Council (FSC) and/or the Programme for the Endorsement of Forest Certification (PEFC).

While UPM's own land represents only a small percentage of its supply, it has had FSC chain of custody certification since 2009. This allows it to state the amount of certified fibre in its products and guarantee the absence of materials from areas of high conservation value.

Additionally, UPM is focusing on preserving deadwood, which provides habitats and food for wildlife. The preservation of deadwood is one of UPM's biodiversity indicators, which the company reports annually.

Expectations and next steps

As part of Nature Action 100's investor expectations, we want the company to publish a TNFD report. UPM confirmed it has been testing TNFD reporting and is already using this framework. In addition, we will continue to advocate for the setting of specific targets. We will be looking for UPM to set time-bound, context-specific, science-based targets informed by risk assessments on nature-related dependencies, impacts, risks and opportunities.

Biodiversity *continued*

Biodiversity and water companies

Water companies and the environment

Water companies are vital to our modern infrastructure. They provide clean drinking water and collect and treat wastewater. They also play a crucial role in environmental protection, as the water they manage absorbs heat, traps carbon, transports essential nutrients and minerals, and supports diverse ecosystems.

Given their management of this precious resource and their extensive land ownership, there is growing demand for water companies to demonstrate greater environmental responsibility.

Through our long standing engagement programme with the UK water industry, we have written to 11 companies, met with eight, and received a written response from two, over a two-year period. We believe companies need to strengthen their biodiversity reporting and promote transparency. We are encouraging water companies to demonstrate improvements over time using quantitative metrics where possible.

Engaging external experts

To enhance our biodiversity knowledge, we collaborated with the UK Centre of Ecology and Hydrology. This independent research institute reviewed our biodiversity investor expectations of the water companies to ensure they reflected best practice standards. Our requests include asking companies to understand and disclose their baseline biodiversity and have biodiversity action plans that contain clear targets.

Species management

Most water companies effectively manage their local areas, and many collaborate with wildlife trusts on species management and protecting important wildlife.

One of our holdings, Severn Trent, is an example of best practice in this area. It has strengthened its team by adding county ecologists to ensure robust technical support. These experts can view biodiversity on a larger scale, helping Severn Trent connect important areas of wildlife by creating biodiversity corridors.

Biodiversity plans

We encourage the water companies we invest in to have clear biodiversity action plans and want to see ambitious targets and best practices in habitat management. The sophistication of companies' plans varies widely, highlighting room for improvement but also demonstrating the many actions that others are taking to make improvements. Anglian Water, for example, is moving water extraction to less ecologically vulnerable areas.

Sites of special scientific interest

Sites of special scientific interest (SSSIs) are areas of land and water that best represent the UK's natural heritage in flora, fauna, geology and other natural features. The UK government has set a target of 75% of SSSIs being in favourable condition by 2042, with an interim target of 50% by 2028. However, we have set a more ambitious target, encouraging all companies in which we invest to ensure that at least 90% of their SSSIs are in a favourable condition.

We recognise that achieving this may be challenging but given the critical role of SSSIs in biodiversity conservation, we advocate for targeted interventions to maintain and enhance their status.

Throughout our engagement, we have observed many companies increasing their biodiversity disclosures. Through meetings with these companies, we are encouraged to learn about the collaboration and innovation occurring within the industry among different stakeholders. This provides us with evidence that the water industry is actively addressing biodiversity.

Voting: Biodiversity

There were 30 shareholder proposals concerning biodiversity or nature. Examples of these include:

- Home Depot Inc – home improvements retail company
- PepsiCo Inc – soft drinks manufacturer
- Kellanova Co – (formerly Kellogg's) US food manufacturer

We supported the shareholder proposal at Home Depot. The proposal requested a biodiversity impact and dependency assessment, including the full value chain and use of sold products. We noted the steps taken by the company in relation to a wood purchasing policy, responsible sourcing supplier manual, responsible product standards and responsible sourcing report. However, we considered this request reasonable given the systemic importance of biodiversity loss.

At PepsiCo, the proposal again requested a material biodiversity dependency and impact assessment. It also sought a corresponding public report to identify the extent to which the company's supply chains and operations are vulnerable to risks associated with biodiversity loss. While the company appears to be addressing these risks and disclosing its goals, there is room for improvement in line with forthcoming disclosure requirements. As such we voted *for* this proposal.

At Kellanova, the proposal focused on the risks associated with pesticide use, including the impact on farmworker health, soil health, biodiversity, water quality and climate. The proposal requested a report from the company on these risks and recommended the disclosure of any strategies, beyond legal compliance, that the company is planning to mitigate these risks. We considered the proposal to be reasonable and voted *for*.

Looking ahead

As we look to the year ahead, we will be focusing on how we can improve and strengthen our engagement approach to meet the evolving needs of our clients. This means improving how we coordinate engagement across asset classes, set milestones, review progress and ultimately how we hold companies accountable if they fail to make meaningful improvements.

The world is changing, as are our client preferences. So we also plan to review our engagement themes, our data requirements and take steps to evolve our approach on newer issues like biodiversity.

Engagement plans

Refresh our engagement plans – setting new milestones, targets and being disciplined in closing engagement projects that have run their course or no longer add value or insight.

Data provider review

Undertake a review of our voting and ESG data providers and our internal capabilities, ensuring that we are using these to their full advantage.

Engagement themes

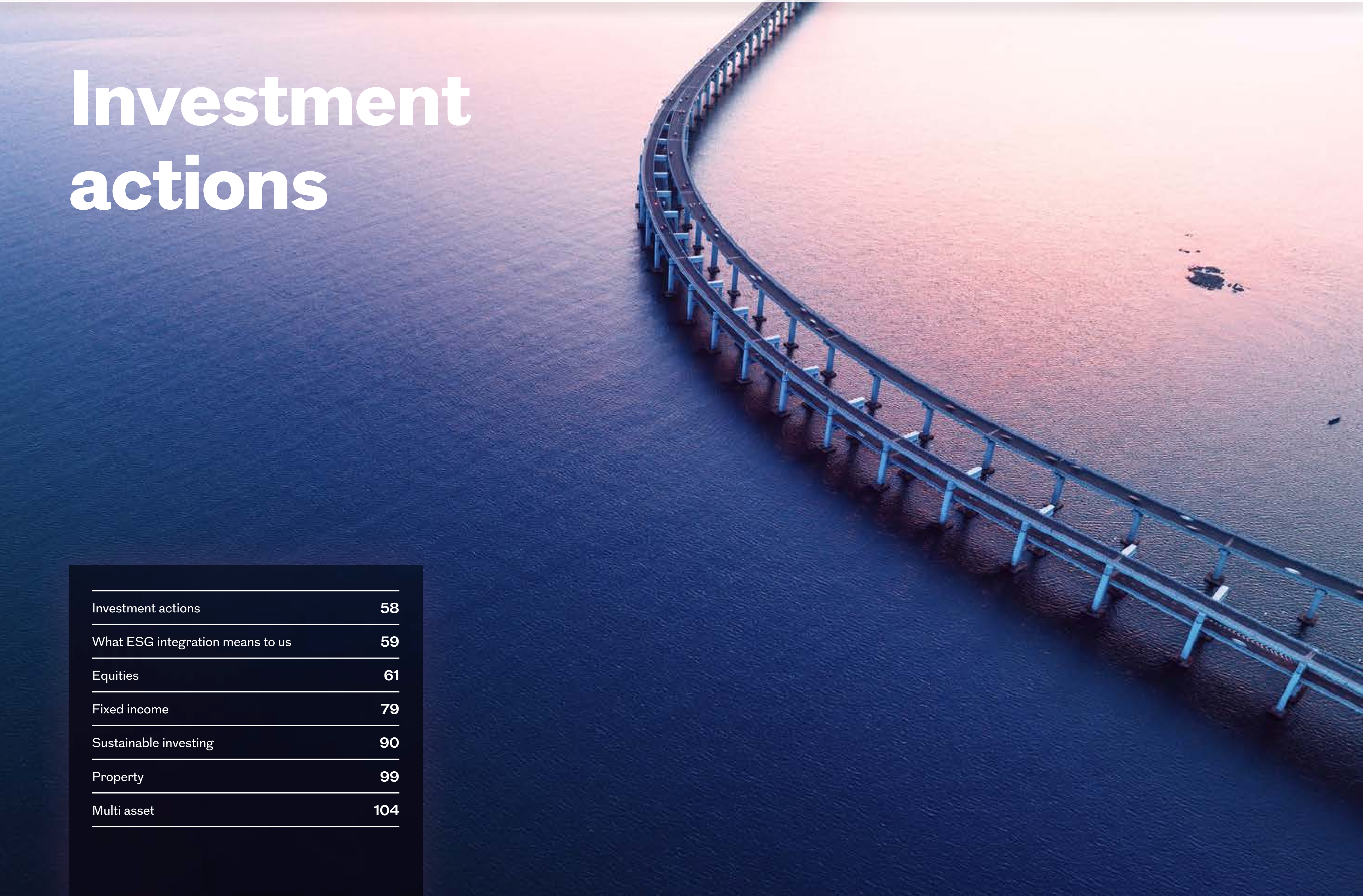
Undertake a planned biennial review of our engagement themes, consulting with our clients and key stakeholders to ensure our themes remain relevant and effective.

Biodiversity insights

Work with investment teams to refine our biodiversity tool and incorporate the data and insights into investment analysis and the engagement process.

Engagement delivery group

Launch our new ‘engagement delivery group’, ensuring collaboration across multiple teams and enhancing our escalation mechanisms where engagement is failing.



Investment actions

Investment actions *continued*

We firmly believe that well-managed companies have the potential to deliver superior long-term investment returns. Our commitment to stewardship and our active approach to investment decision making are fundamental to our philosophy of responsible investment.

By integrating environmental, social, governance (ESG) and climate risks and inefficiencies in our analysis and decision making, we aim to reduce material investment risks, enhance long-term performance and provide better outcomes for our clients.

Future-focused, client-first approach

We are committed to retaining our clients' trust, focusing on the future to ensure we navigate risk and capture investment opportunities on their behalf in an ever-changing world.

Our experienced investment teams, supported by expert central functions, take an active and evidence-led approach to investing. Each team offers a differentiated approach underpinned by our investment principles, including robust risk management and a focus on long-term, sustainable returns.

Navigating change

We look to build resilience across our business by investing in our teams to help expand and strengthen the capabilities we offer clients. That can be new teams such as private assets, strengthening teams when people leave, or the retirement of our longstanding and highly respected Head of Fixed Income, Jonathan Platt. Our culture and reputation help us attract and retain high quality talent to our company – fostering a collaborative and positive working culture that benefits our clients.

Offering clients flexibility and choice

Every client is unique, and we understand that responsible investing and stewardship will mean different things to each of them. In this respect, transparency and engagement with our clients are key. We work closely with them to ensure that we understand and align with their priorities and keep them informed of what our approach is delivering for them.

Equally, there's no one-size-fits-all approach to integrating ESG or to achieving sustainability and net zero, and we recognise that our clients' values and investment objectives will shape their preferences.

Reflecting this, we offer clients a variety of flexible investment solutions, including strategies that use active stock-picking to integrate ESG or apply active quantitative ESG and climate tilts. We have an award-winning sustainable fund range that caters to clients across the full risk spectrum, while our equity transitions strategy allows investors to support companies that are working towards making meaningful improvements over time.

Built on trust

Being trusted stewards of our clients' money and integrating ESG risks and inefficiencies into our investment decision making are fundamental to our role as responsible investors. This is also a core part of our investment principles, which we developed in 2023 to define our approach to investing more clearly for our clients. You can read more about our investment principles on page 2.

What ESG integration means to us

Our approach to ESG integration varies by asset class and team, responding to individual investment approaches.

The following pages detail how we integrate ESG, stewardship and responsible investment into our decisions, with examples from various asset classes and investment teams. We highlight, as appropriate, the most relevant risk factors and how teams have approached integration, engagement or voting over the year.

How we define ESG integration

ESG integration is the ongoing consideration of ESG factors within our investment analysis and decision-making process. It aims to address inefficiencies and improve risk-adjusted returns for our clients.

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.

While only some of our funds have a specific focus on ESG, there will be times when it is appropriate to consider ESG risks and inefficiencies 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 and 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 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.

Integration in action

How we integrate ESG will differ depending on the individual strategy, investment objective and approach.

ESG integration is supported by the Responsible Investment team, a centralised resource comprising subject matter experts on topics such as climate, governance and social issues. You can read more about the Responsible Investment team's responsibilities on pages 9 to 18.

The Responsible Investment team meets regularly with investment teams to discuss ESG risks in our fund holdings. These meetings are aided by our proprietary ESG dashboard, which aggregates all our 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.

Our investment teams participate in engagement meetings and may incorporate these outcomes into their risk and return evaluations, which could influence their investment decisions. These assessments consider the materiality of the issue, risk mitigation factors and the investment's time horizon, among other aspects. We tailor our decisions to each fund's specific financial and non-financial objectives set by our clients.

As active investment managers we recognise that fundamental investment analysis is essential. Across our investment solutions we typically consider a number of factors when analysing companies, including but not limited to company financials, operations, corporate governance, company strategy, market context and risks. These factors include integrating ESG data and insights, not for the purpose of any explicit sustainability outcome, but to enable a comprehensive understanding of a company's operations, behaviours and performance. This enables us to make informed decisions based on a holistic view of the potential risks to provide the best long-term results for our clients by maximising investment performance.

What ESG integration means to us *continued*

Different responses to ESG issues

Our response to different ESG risks and opportunities will depend on the fund type or investment strategy.

- **No further investment:** we may choose not to invest additional capital or even reduce our position in the company.
- **Divestment:** selling our existing holdings in the firms is an option, depending on the severity of the issue.
- **Tilting:** we may consider underweighting or overweighting the company relative to the reference benchmark. This could be companies whose products address a societal need, or reducing exposure to a business with poor governance practices. You can read more about this on page 65.
- Opportunity: our sustainable fund range actively seeks out companies that positively contribute to society through their products and services. Further information can be found on pages 90 to 98.

Any specific case studies, companies or securities examples in this report are for information purposes only. They may not specifically aim to achieve a particular ESG or sustainability outcome for a product unless otherwise stated. Views are subject to change, and are not investment recommendations. You should always check the fund's prospectus documentation for details of specific investment objectives.

Equities

Global equities

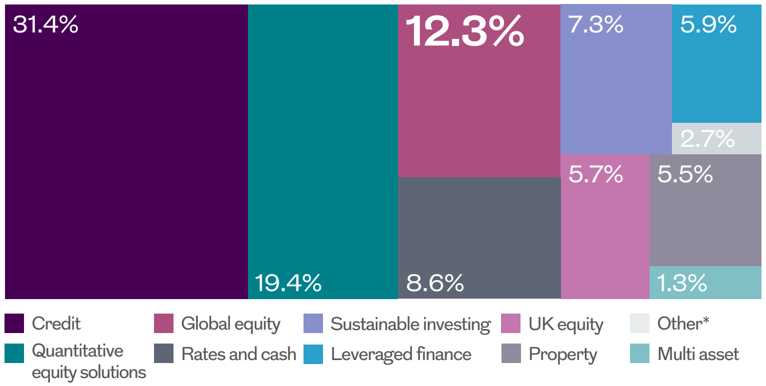
In a large, diversified global market, examining ESG considerations, along with other factors, can help identify new ideas and provide additional insights to help target our research.

By incorporating material ESG considerations across our strategies today, we are better equipped to deliver good long-term outcomes for our clients.

Highlights

- Steel Dynamics - a key beneficiary of the transition to 'greener' steel
- Reduced holdings in Expeditors International due to cyber security vulnerabilities.

Global equities



Subject to rounding

* Includes Private equity at 0.3%, Derivatives at 0.4%, Private debt at 0.01%, and Commodities at 2.0%

Global equities *continued*

Paul Schofield
Head of Global Equities

"ESG risk sits alongside all other risks that our potential investee companies face, and we need to know they are being effectively managed."

Integrating ESG

Our differentiated Life Cycle investment process enables us to identify superior wealth-creating stocks with attractive valuations. Our track record of strong financial performance reflects this.

We believe incorporating material ESG considerations into this process allows us to identify significant risks and leaves us better equipped to deliver long-term strong financial performance.

Wealth creation prospects

Our proprietary database includes a range of quantitative wealth creation considerations, which helps drive our idea generation and stock research. Our in-depth qualitative assessment focuses on identifying companies with strong wealth creation potential, providing valuable insights over quantitative data alone. If a company's ESG risks are considerable and unaddressed, they become a significant factor in our investment discussion and can lead us to avoid investing.

Valuation and ESG risks

We incorporate any potential material risks, such as climate transition risks and carbon taxes, into our valuation scenarios and analysis. This approach can directly influence our investment decisions.

Client-centric portfolio management

We manage our portfolios to reflect clients' ESG needs and financial goals. The Responsible Investment team's regular independent reviews of our portfolios focus on identifying company-specific and broader societal risks, while our involvement in voting and engagement activities supports our commitment to being trusted stewards of our clients' assets.

Engagement and investment

We do not shy away from investing in more challenging companies from an ESG perspective, provided:

- the risks are manageable
- there are factors that help mitigate these risks
- there is significant potential for investment returns
- the overall wealth creation potential and valuation remain attractive, even in risk-laden scenarios.

Such companies often present prime opportunities for engagement, which can help mitigate risks and unlock value.

Global Equity team investment and ESG integration process

Measure 6,000 + companies	• Third-party ESG data • SASB framework
Classify 6,000 + companies	• Risk flags • Climate – transition + physical • Life Cycle specific
Identify c.600 + companies	• Stock specific + Thematic • Materiality – E/S/G assessments • Wealth Creation test – positive, challenging, avoid
Value c.200 + companies	• Fundamental values – scenario analysis
Implement Portfolio	• Key ESG risks including climate • Client reporting and attribution • Bespoke solutions
Monitor Portfolio	• Stock reviews • Portfolio reviews

Global equities *continued*

Steel Dynamics

Steel Dynamics is a significant holding for us and we have been engaging with this large US-based steel manufacturer for several years. Given its high operational carbon emissions, the global steel industry faces significant financial risks as the world transitions to a low-carbon future. However, Steel Dynamics has a business model that sets it apart from its peers.

Poised for the shift to greener steel

Using primarily recycled steel in efficient electric arc furnaces, the company's carbon intensity is roughly 75% lower than its global peers. Additionally, its low-cost base and strong capital discipline drive robust profits throughout the economic cycle. As regulations around carbon emissions increase, the company is positioned to benefit from a shift to 'greener' steel and will be more resilient than peers if significant carbon taxes are imposed.

Overlooked by the market

Despite this differentiation, we believe the market is treating it as a typical steel company and overlooking how well-placed it is for future success. In our view, Steel Dynamics exemplifies how strong environmental credentials can drive robust financial performance while protecting against future risks.

Engagement insights

Our ongoing engagement priorities include monitoring the company's continued decarbonisation of Scope 1 and 2 emissions from its steel mill business. We are also encouraging the company to improve its disclosure and set science-based emissions targets for its other facilities. As it decarbonises further, we will continue to monitor its progress in charging green premiums on its products.

Our engagement activities enable us to gain a deeper understanding of how the company's environmental initiatives contribute to its financial resilience and long-term success. This helps us assess both financial and non-financial outcomes more holistically.

Expeditors International

Expeditors International is a global logistics company that provides a range of supply chain solutions. It is asset-light, meaning it does not own its own transportation assets but leverages a network of carriers to provide efficient and flexible logistics services.

Cyber security concerns

In 2022, the company experienced a major cyber security attack, which raised significant concerns about its risk mitigants and cyber security management systems. In 2023, the Global Equity and Responsible Investment teams engaged with the company to better understand its existing practices and risk controls, as well as the measures subsequently taken to address vulnerabilities.

Improving resilience

The company's efforts to strengthen its cyber resilience include appointing a chief information security officer, enhanced expert-recommended security protocols and regular testing of all software, including that of third parties. All employees must also undertake cyber-related training. We believe there are further improvements it could make, so we continue to monitor its progress against our investor expectations, which you can view here.

Infrastructure vulnerabilities

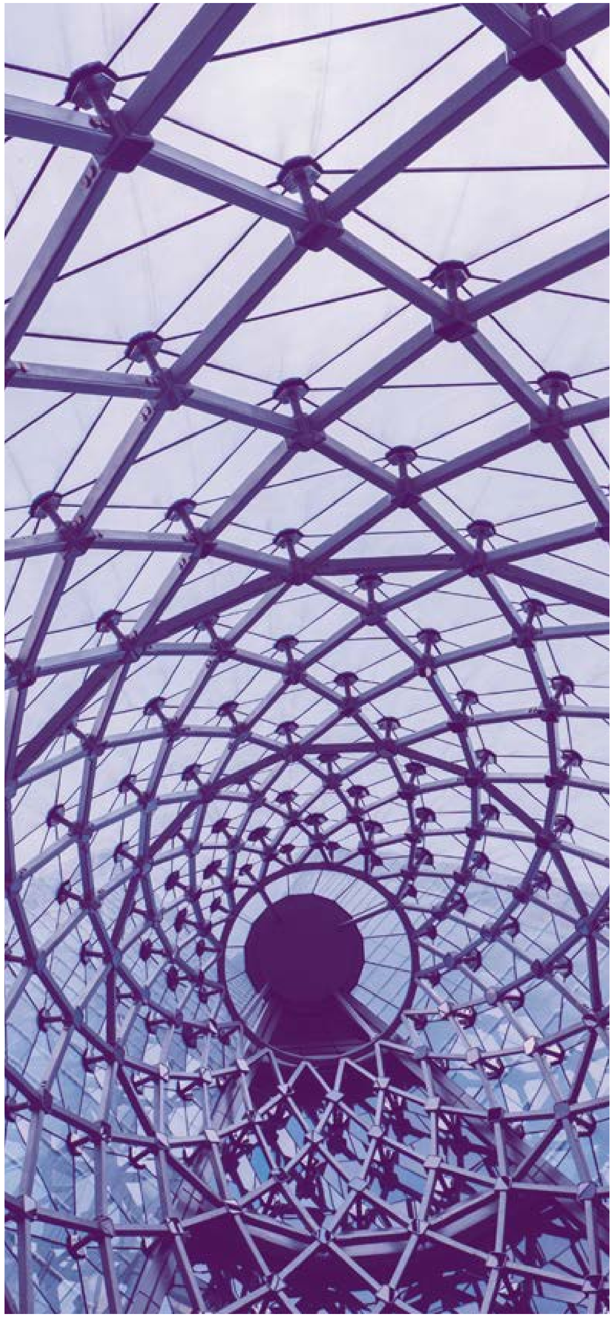
Despite efforts to mitigate further security risks, the growing sophistication of cyber attacks requires continuous investment and improvement to prevent future vulnerabilities.

Falling behind peers

In addition, the company's software, which was once market-leading and a key driver behind its historic success, is showing signs of trailing peers. There is a risk that this could stifle future growth opportunities.

Investment decisions

We recently reduced the holdings across our portfolios, reflecting our lower conviction in the company's ability to invest in its infrastructure and mitigate cyber security risks. We continue to monitor the company as part of our quarterly review process, alongside our ongoing assessment of its wealth creation characteristics.



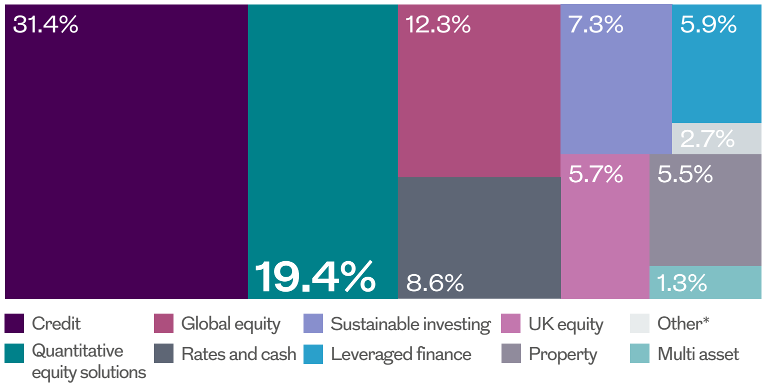
Quantitative equity solutions

Combining an evolving mix of in-house and third-party data and insight, we embed ESG considerations and lower carbon emissions into our quantitative models to make forward-thinking and nuanced investment decisions. This helps us balance the need to meet our clients' financial and risk objectives and demonstrate progress towards addressing climate change and long-term ESG issues.

Highlights

- Consistently voted *against* NEXTDC's pay approach, leading us to sell all holdings in 2024
- Held an underweight position relative to the benchmark in Deutsche Telekom due to CEO remuneration concerns
- Held equal weight to benchmark in CLP, given its decarbonisation plans and following positive engagement.

Quantitative equity solutions



Subject to rounding

* Includes Private equity at 0.3%, Derivatives at 0.4%, Private debt at 0.01%, and Commodities at 2.0%

£33.7bn

assets under management

Quantitative equity solutions *continued*

Matt Burgess
Head of Passive and Quantitative Equities

"Our tilt strategies are not based on exclusions but take an aggregate, portfolio level approach to ESG. Each regional fund looks to achieve a meaningful reduction in carbon, relative to its benchmark, while also aligning with our Good Governance policy."

Adapting to ESG demands

In August 2021, we transitioned all index-tracking equities managed on a market cap basis to 'tilted' strategies, acknowledging our investors' increasing interest in carbon reduction and ESG integration. Our equity tilted strategies have explicit ESG and carbon objectives alongside a financial return objective. In the UK, they are classified as 'non-labelled ESG funds' according to the UK SDR regulations.

Tilted strategies explained

Our 'tilt' approach allows us to adjust our exposure to certain stocks based on specific climate and ESG factors while aligning our funds with the risk and return characteristics of traditional index trackers. This means we can offer investors low-cost, 'passive-like' solutions with daily liquidity.

By strategically 'tilting', we can prioritise or de-emphasise the weighing of specific stocks based on ESG criteria and carbon constraints. We don't usually exclude specific stocks completely, preferring to hold them at a reduced weight compared to the reference index.

Targeted climate and ESG approach

Rather than emphasising broad market or economic trends, we instead take a targeted, stock-specific approach focused on climate and ESG criteria. We believe this reduces our funds' reliance on market-wide or macroeconomic influences and enables strong financial performance across varying market and economic conditions.

Our approach is designed to cater for times when lower-carbon industries like technology and communication services have faced significant funding and operational challenges.

Combining internal and external insights

We combine external data from multiple providers and databases with our own in-house expertise, including voting and engagement insights from our Responsible Investment team.

Bringing together this wide-ranging information using data and technology enables us to make extra quantitative adjustments to our portfolios. Indeed, we currently apply around 10 additional ESG-related tilts to address issues such as a company's involvement with weapons, tobacco or controversial business practices.

As an example of how this works in practice, we systematically underweight companies in our funds where our Responsible Investment team consistently votes *against* management on governance issues, such as executive remuneration or board composition.

The strategies also apply an explicit low-carbon constraint, requiring them to target lower carbon than the reference index. This approach has lowered our portfolios' weighted average carbon intensity (WACI) metric by 28% since inception in 2021.

NEXTDC

NEXTDC is an Australian technology company that specialises in data centre solutions. It provides a range of services such as data centre outsourcing, connectivity servicing and infrastructure management.

In 2022 and 2023, we voted *against* the company's approach to pay. NEXTDC proposed moving away from the more standard system of granting shares to its employees based on stretching performance measures, to granting restricted shares with less challenging performance hurdles. While we are not opposed to the concept of restricted shares, we believe that the reason for the change should be explained to shareholders. We also felt there should be a reduction in the size of the potential award. In this instance, the company did not reduce the size of the award or provide a rationale for the change in its approach to remuneration.

As we continued to vote *against* NEXTDC's pay approach and given our aim of holding underweight positions in companies with poor governance practices (i.e. owning fewer shares than the benchmark), we underweighted NEXTDC. This reduction in our holding throughout the year eventually led to us selling out of it completely in July and September across the two funds in which we held it.

Deutsche Telekom

Deutsche Telekom is one of the world's leading telecommunications companies. It provides a wide range of services, including mobile communication, high-speed internet and communication technology services.

We have voted *against* the company's pay approach for the last three years due to unexplained, significant increases in the CEO's base salary. This raises concerns over whether the increases are linked to the CEO's performance or if they are just a fixed pay increase. We also have concerns that the maximum bonus opportunity is greater than that of the long-term incentive plan. This approach places more emphasis on short-term performance and less focus on long-term growth. When assessing remuneration practices, Royal London Asset Management will consider whether they align with long-term value creation and the best interests of the company and its stakeholders.

Our consistent vote *against* Deutsche Telekom's approach to pay means we underweight the company in the portfolios in which it is held.

Quantitative equity solutions *continued*

CLP Holdings

CLP Holdings is one of the largest investor-owned power businesses in the Asia-Pacific region, primarily involved in the generation, transmission and distribution of electricity. The company's energy mix is fossil fuels, coal and nuclear power and renewables. With a carbon intensity above the sector average, we would typically hold fewer of the company's shares than our benchmark, based on carbon emissions alone.

However, through our Responsible Investment team's engagement with CLP Holdings, we believe the company's decarbonisation plans are on track with its aims to increase its investment in renewable energy. We have also engaged with CLP on its intention to phase out coal by 2035, and it has a good just transition strategy in place for the phase-out of its biggest coal plant in Australia.

Although our models would hold fewer CLP shares than the benchmark, our positive view of its decarbonisation plans and our engagement with the company have resulted in us choosing to hold the same number of shares ('equal weight') as the benchmark. We will continue to engage with and monitor CLP's disclosures for greater clarity on its just transition plans.

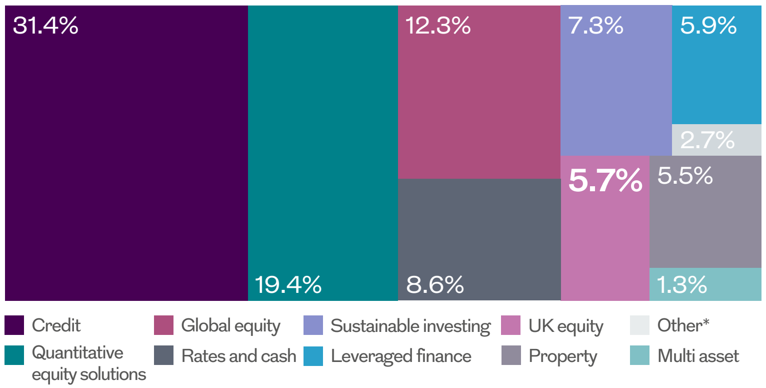
UK equities

Our highly experienced UK Equities team searches out the best investment ideas within the UK equity market. Its strategies do not have explicit ESG objectives, but ESG analysis forms part of the team's investment process, particularly within challenging sectors such as oil, mining, food service and manufacturing.

Highlights

- Site visits to Rio Tinto's aluminium operations to understand its actions on emissions
- Added to holdings in Spirax Sarco, given its ESG credentials, which the market is undervaluing
- Positive pre-emptive engagement with Cranswick PLC on directors' remuneration.

UK equities



Subject to rounding

* Includes Private equity at 0.3%, Derivatives at 0.4%, Private debt at 0.01%, and Commodities at 2.0%

UK equities *continued*

A leading investor in the UK stock market

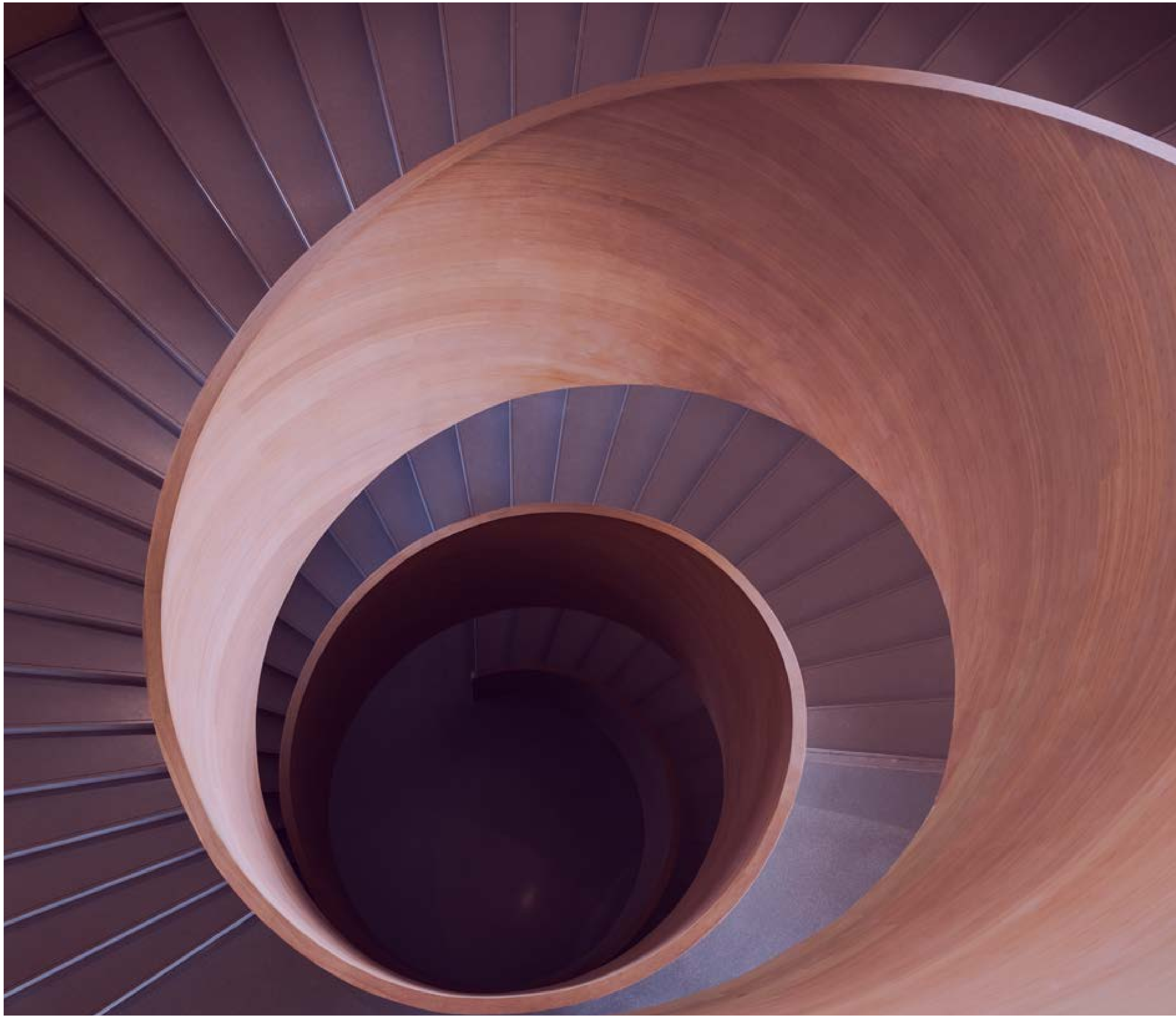
We have an experienced and established UK Equities team that manages a diverse range of active strategies. At the core of our approach is fundamental stock picking, grounded in direct engagement with companies and a deep understanding of their business dynamics and growth opportunities.
The team's experience navigating investments through varying economic and business cycles further solidifies our position as a leading and trusted investor.

A trusted voice and valuable partner

Our enduring commitment to stewardship, paired with our long-term investment horizon, cultivates solid and lasting relationships with the companies we invest in. They often turn to us for our views on corporate governance and, increasingly, other ESG-related matters. That level of meaningful access to management allows us to gain valuable insights into how companies manage a wide range of risks and issues, including ESG factors.

Navigating the risks

Our analysis helps uncover financially material ESG risks that could span assets 'stranded' by shifts in demand or regulations from the low-carbon transition, reputational harm, legal or governance concerns, or poor employee practices. This helps ensure a thorough understanding of potential challenges.



UK equity income strategies

Our investment analysis

We integrate ESG into our decision making as we would any other more traditional analysis, such as barriers to entry into the market, balance sheet strength or geographic risk.

We are not looking to deem companies good, bad or in-between but to understand the businesses and decide if they are appropriately priced. We attempt to identify and then avoid businesses where their valuations do not adequately compensate for the ESG risks they face. Alternatively, where the market price fails to reflect a company's competitive advantages because of how it manages ESG factors, we will increase exposure to take advantage of that mispricing.

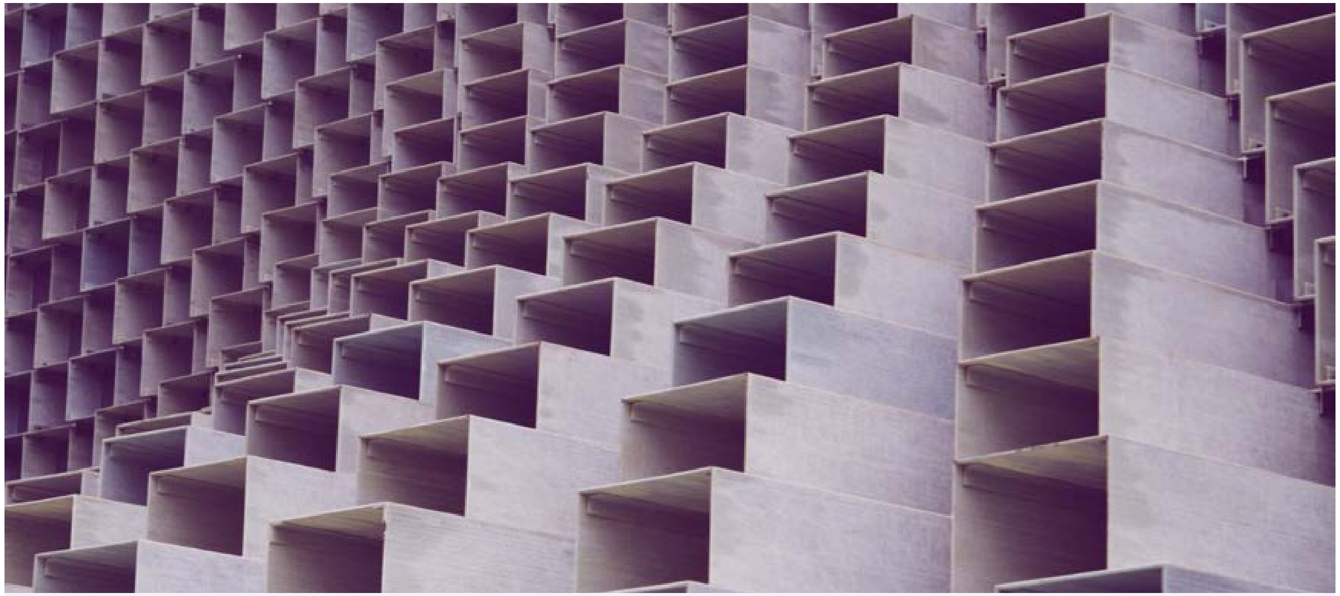
To do this, we meet regularly with company management teams. We use these engagements to try to understand and challenge how the businesses are being run so that we can better assess them as investments.

Businesses with some ESG risks can be good investments if appropriately priced, just as those with excellent ESG credentials can make poor investments if overvalued.

Richard Marwood
Head of UK and European Equities

"We have a deep understanding of our UK stocks, and we decide if the risks and inefficiencies, including those relating to ESG, are appropriately priced in."

UK equity income strategies *continued*



Rio Tinto

Rio Tinto is one of the world's largest metals and mining companies. Given the nature of the business, Rio Tinto has a significant environmental footprint.

Understanding the footprint

Although its iron ore business is the largest by revenue, Rio Tinto's aluminium business emits the most carbon on a Scope 1 and 2 basis (the emissions that the company itself can control). To better understand this, we visited some of the division's operations and engaged extensively with management teams.

Reducing the carbon footprint

A new report has revealed that global aluminium demand will increase by almost 40% by 2030 and that the aluminium sector will need to produce an additional 33.3 megatonnes (Mt) to meet demand growth in all industrial sectors – from 86.2 Mt in 2020 to 119.5 Mt in 2030[1].

1. https://international-aluminium.org/report-reveals-global-aluminium-demand-to-reach-new-highs-after-covid/

Producing aluminium requires a staggering amount of electricity, so how it is generated is a key factor in its footprint. Some of its electricity is produced in Canada and Iceland by hydroelectric generation, which is low carbon. Its Australian operations, however, have much higher emissions because the power is largely derived from coal-fired generation. Rio Tinto is seeking to replace coal-fired generation with wind and solar power, which should dramatically reduce its carbon intensity.

Innovations in aluminium production

Aluminium smelting also emits carbon because carbon electrodes are consumed in the process. Rio Tinto is working on a pioneering technology called ELYSIS, which aims to use non-consumable electrodes. This project is, however, still in the development phase. We believe being able to produce a key material like aluminium with lower carbon intensity makes Rio Tinto an attractive and competitive investment, particularly if the world starts pricing carbon emissions more highly.

Spirax Sarco

Spirax Sarco is an engineering business with expertise in managing steam. Steam has unique thermodynamic properties that make it excellent at transferring heat. For this reason, steam is widely used in manufacturing processes in all kinds of factories.

Sharing insights with customers

We have engaged extensively with the management of Spirax Sarco to understand how it can help its customers save energy, save money and lower their emissions. Spirax engineers visit their customers' facilities and suggest how they can optimise their steam systems. They also point out if any systems could be replaced by electrical heating (which Spirax also supplies) and if the steam traditionally produced in gas boilers could be made in electrically heated boilers. If the electricity is derived from non-fossil fuel generation, these changes lower customers' carbon emissions.

Undervalued

While we consider Spirax Sarco to have excellent ESG credentials, at the time of writing, its shares currently trade at half the price they did around three years ago. The entry price for an investment is a key determinant of its success. We reduced our holding when the market's enthusiasm for the shares was extremely high, but we have been rebuilding holdings now that the share price is lower.

UK equity 'all-cap' strategies

We invest across the broader UK equity market, focusing on businesses positioned for long-term growth. We select companies that we believe have the potential to deliver substantial returns to shareholders.

ESG performance

A company's ESG performance and future ambitions offer valuable insights into its management's priorities, alignment with stakeholder interests, and strategic approach to critical issues like reducing carbon emissions.

Joe Walters
Senior Fund Manager

"To make an informed judgement on any company, we need to assess their ESG record and aspirations as much as their business model to provide a clear overall perspective."

UK equity 'all-cap' strategies *continued*

Holistic analysis

The ESG record of any business sits alongside our judgement on the quality of the business model, its management's performance and the attractiveness of its end markets. Assessing all these factors together allows us to make fully informed decisions when deciding to invest. In our view, a positive ESG record goes a long way to providing reassurance and keeps the shareholder base stable, allowing the company's management to concentrate on generating attractive returns. We work with the Responsible Investment team to vote and engage on issues we consider material to shareholders' long-term interest, such as reasonable pay practices.

Long-term stewardship

As an active UK shareholder, we benefit from having good access to management teams. This aids our analysis of a company's potential and helps form a well-rounded view of its prospects.

Experian

Experian is the world's largest credit bureau. It's a complex business but put simply, it collates a vast amount of unique financial data and then creates products to help people obtain credit and manage debts. The data Experian provides is critical in allowing global financial markets to operate efficiently.

Widening access to finance

Experian has assisted customers in the UK, US and, more recently, Brazil to access finance and credit by helping them improve their credit scores. This widening of financial inclusion is vital for economic growth.

Forefront of fraud

The company is a leader in fraud prevention. For example, in the US healthcare sector, Experian works with over 60% of the hospital market to help verify insurance and process claims faster. This helps streamline and improve patients' access to medical care during potentially stressful and challenging times.

The investment case

We have held Experian for several years because of its key role in improving customers' financial wellbeing and supporting economic growth. Additionally, given the sensitivity of the data it controls, the company has a strong record of preventing significant security breaches.

Greggs

Best known for its strong position on the high street and its on-the-go food offering, Greggs operates over 2,300 retail outlets across the UK. We have been a significant shareholder for over four years now.

Long-term focus

Greggs' management remains focused on the long term and continues to evolve the business's offering to reflect changing customer priorities. For example, it is reducing sugar and salt levels in its food as customers show a desire for healthier products.

Strong ESG record

We believe the company's strong ESG record reflects good relationships between Greggs' management and its suppliers and employees. We see this as a critical factor in the long-term wellbeing of the group.

The investment case

We chose to invest in Greggs rather than others in its peer group because of its historically robust growth record and our confidence in its management to execute well in the future.

UK equity mid and small-cap (alpha) strategies

Focused on growth

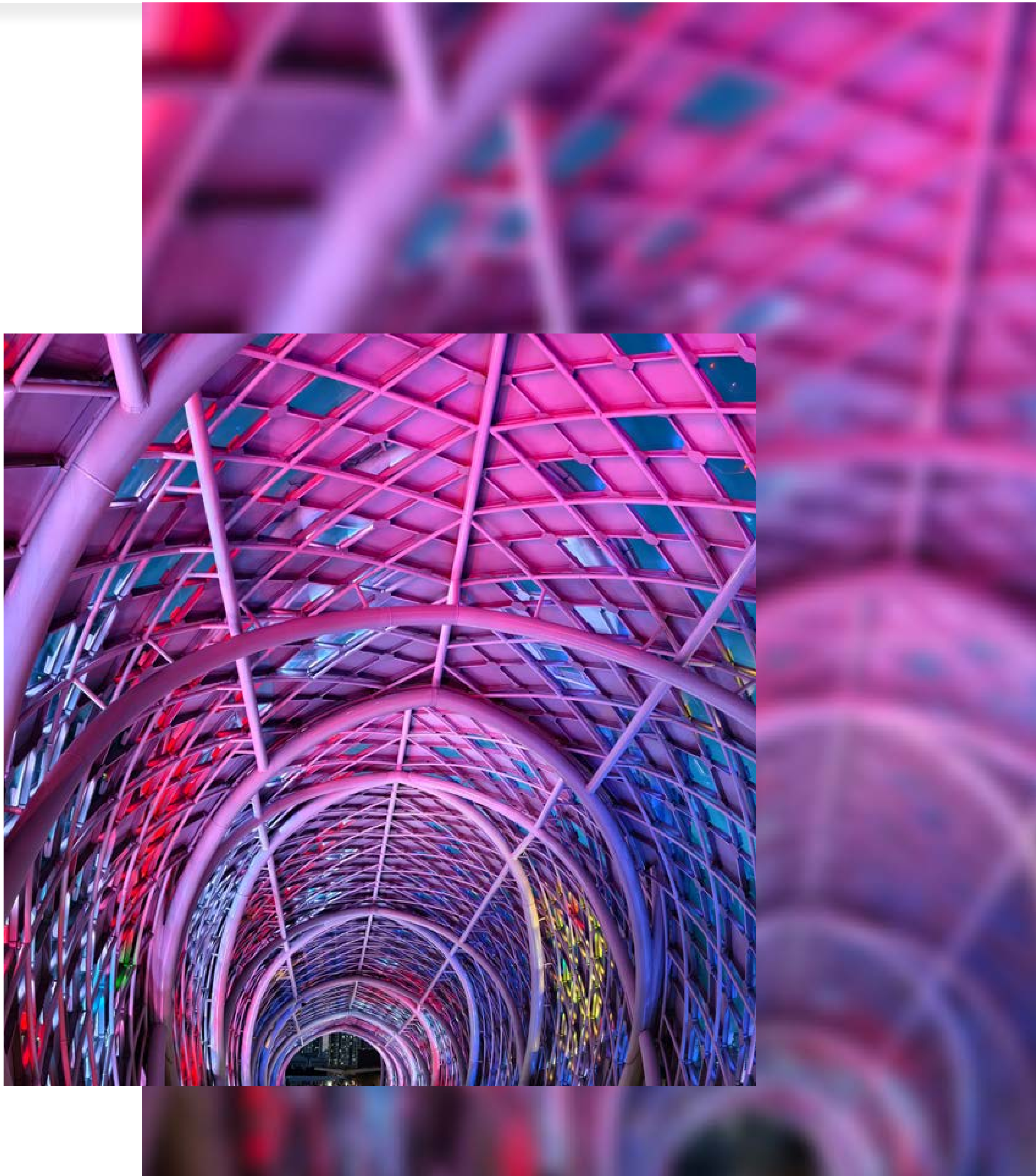
The cornerstone of our investment strategy is selecting companies we believe can substantially grow their earnings and cash flows over our three- to five-year time horizon.

SIMBA

Fundamental to growing earnings and cash flows is identifying management teams that are financially aligned with equity shareholders and are responsible allocators of capital. We assess this through our SIMBA process (Scalability, Innovation, Management, Barriers to entry and unique Assets).

Henry Lowson
Head of Alpha Strategies

"We analyse and consider ESG risks when selecting and monitoring our portfolio companies. We believe this approach can help enhance returns."



UK equity mid and small-cap (alpha) strategies *continued*

Data deficiencies

A challenge of investing in smaller companies is the lack of available data, especially ESG disclosures. Small-cap companies are relatively immature and have fewer resources to measure ESG factors. Often, the models used to assign ESG scores are built for large-cap international markets, so the data is flawed. They may also score a small-cap stock low, simply due to the lack of available information. Therefore, a qualitative and stock-specific approach is critical.

Resilience through cycles

As part of our investment process, we look for companies that will benefit from structural tailwinds that will enable them to grow their earnings through economic cycles. In some cases, this may be due to ESG factors, which we will look at alongside other key considerations such as regulation, capital intensity and cyclicality.

Power play

We avoid investing in companies where the 'balance of power' is not in shareholders' hands, such as loss-making firms or those burdened with excessive debt. Our process also assesses ESG or regulatory risks, where the potential financial consequences of a fine or regulatory action may outweigh any potential short-term financial benefits of investing in a company.

Rigorous research process

When assessing companies, we consider ESG factors alongside traditional financial analysis. This includes corporate governance, executive remuneration, employee turnover and supply chain resilience. Our research process also includes corporate engagements and one-on-one meetings with executive teams.

Cranswick plc – Supporting remuneration

Cranswick is a leading UK food producer that farms, produces and supplies mainly meat products.

Positive pre-emptive engagement

Ahead of the three-yearly review of Cranswick's directors' remuneration policy, its remuneration committee engaged with us and sought our feedback on its proposed plans.

Strong management

We believe Cranswick's management team has performed extremely well for all stakeholders over the long term. As such, we felt it important to retain the current executive team and ensure it remains motivated and aligned with equity shareholders.

Plans passed

We provided our views on the proposed remuneration plan and discussed the appropriateness of the targets and the plan's vesting and post-vesting holding period. Following this discussion, we were broadly supportive of the proposals outlined. At the company's AGM, the resolutions were subsequently passed.

Coats plc – Developing new sustainable materials

Coats is the market-leading manufacturer of premium thread, primarily sold to the clothing and footwear industry. More recently, it has expanded into manufacturing structural footwear components.

A strategic edge

Coats' competitive advantages include its global manufacturing footprint, speed to market and agility, and strong sustainability credentials.

Developing sustainable thread

Coats is a first-mover in developing sustainable thread, launching its EcoVerde product, made from 100% recycled materials, in 2018. Its customers and the wider industry are transitioning towards sustainable materials.

Demand for recycled materials

Coats' most recent results showed strong demand for its 100% recycled thread. Sales increased by 141%, and the products now represent approximately 20% of the company's total revenue.

Market-leading position

Coats' position as the global leader in recycled, high-quality thread, combined with the complexity of making these products, underpins our investment case and gives us reason to believe it can win further market share.

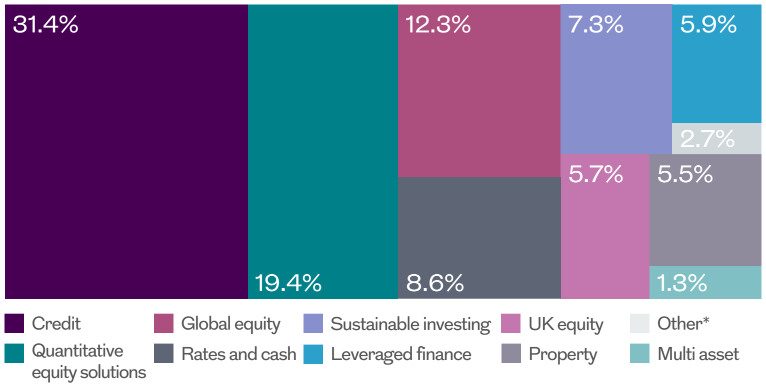
Private equity

We partner with UK and European private equity (PE) managers that consider ESG within their investment frameworks. This approach supports our commitment to responsible investing and aligns with industry standards and best practices.

Highlights

- Continued focus on PE firms that integrate ESG considerations
- Invested in Volpi Capital III Fund following comprehensive due diligence
- A formalised approach to ESG management supported our decision to invest in Chequers Capital XVIII Fund.

Private equity



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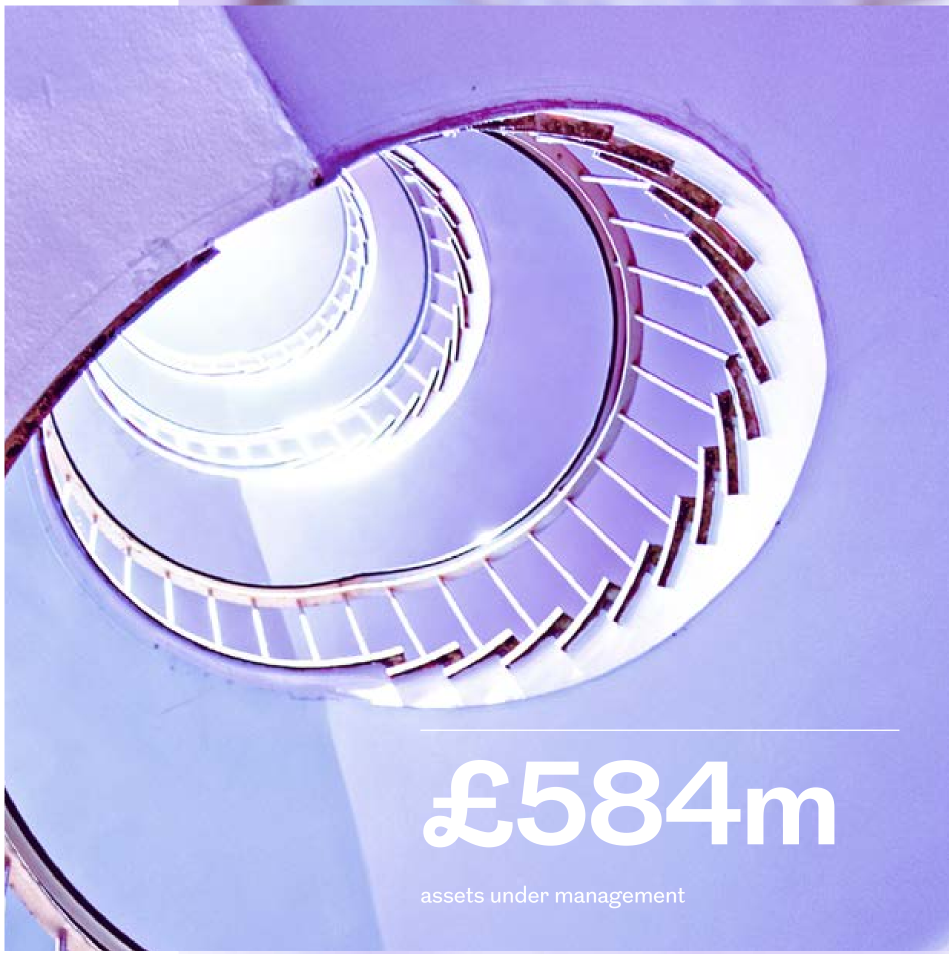


Private equity *continued*

Richard Caston
Head of Private Equity

"We believe that when selecting private equity firms to work with, a leading approach to responsible investment also leads to strong investment returns."

Although it remains a small part of our overall portfolio, we have been investing in PE for over 20 years, actively partnering with the same PE partners for an average of seven years. While our funds are not ESG-focused, we consider ESG factors in our broader investment decision-making framework. This ensures a balanced approach that acknowledges a wide range of investment attributes.

Assessing firms' ESG commitment

We assess each PE firm's commitment to ESG principles in the following ways:

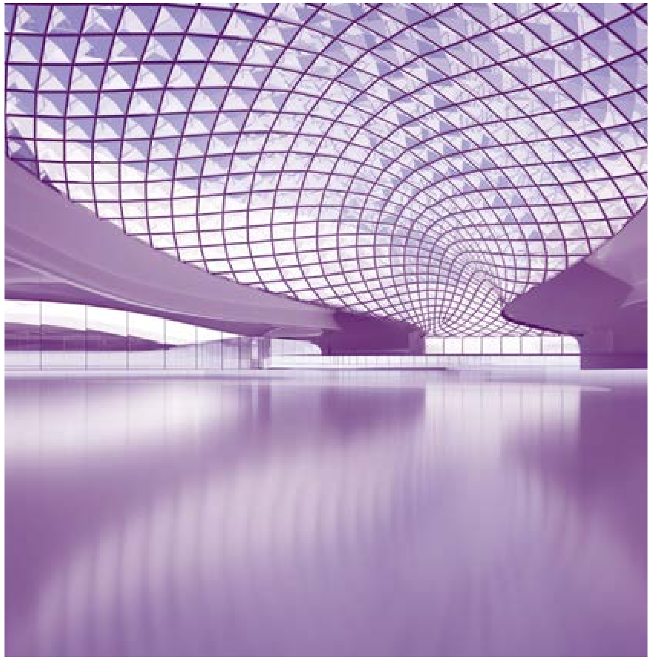
- **Track record:** We review each firm's investments in previous funds to ensure they meet our ESG and other requirements.
- **Existing ESG management and compliance:** We evaluate PE firms' existing investor reports to ensure they cover relevant details and are in line with our expectations.
- **Future ESG policies, reporting and focus:** A PE firm will set out its plans for ESG management in relation to the new fund being raised. We also conduct interviews and meetings with the PE firm and sometimes the management of existing portfolio companies.

Ongoing monitoring

Once committed to a fund, we monitor its activities to ensure it meets our expectations. When we come to recommit, we review its progress on ESG matters and how this will develop in the future. A primary source of information is an annual ESG report, which most funds now publish. If a PE firm does not produce a dedicated annual ESG report, we would likely refrain from investing in any future funds raised by that manager, as this signals a below-average commitment to ESG matters.

Our PE commitments 2024

In 2024, we committed to two new PE partners, both managed by firms we had not invested with before. In each case, we assessed the firms' ESG policies and their implementation.



Volpi Capital

We completed our commitment to and investment with Volpi Capital in April 2024. Volpi Capital is a UK-based private equity firm that invests in the buyouts of niche software businesses in Northern Europe.

Due diligence

As Volpi had raised two previous funds (which we did not invest in), we were able to carry out comprehensive due diligence on these earlier funds. This allowed us to review its early investments.

Our assessment of Volpi concentrated on normal investment parameters, such as track record, its focus on niche software businesses, the stability and experience of the team, and the extent to which the fund complemented other funds to which we had already committed.

Responsible investors

Alongside our due diligence, we assessed the firm's commitment to ESG matters and noted the following as part of our recommendation to invest:

- Volpi has developed a responsible investing policy and believes a proactive approach to responsible investment helps manage business risk.
- It continuously monitors ESG in portfolio companies, with ESG a standing item on the agenda for monthly board meetings.
- Volpi produces an annual ESG report highlighting risks, improvements and ESG performance scores.
- Volpi is a signatory to the United Nations Principles for Responsible Investment, and it adheres to SFDR under Article 8, complying with all required disclosures and reporting.

Private equity *continued*

Chequers Capital

We invested in Chequers Capital in July 2024. Chequers Capital is a long-established private equity firm operating mainly in the French market, with some activity also in Italy, Germany and Belgium.

Track record

Our primary focus was its recent positive investment track record and the depth of its contact base due to the business's longevity. We also reviewed the rigour and focus of its investment strategy and process.

Formalised ESG approach

We were encouraged by Chequers' formalised approach during its own due diligence of potential portfolio companies. It sets out its ESG approach to each potential investment within each fund in every investment approval paper.

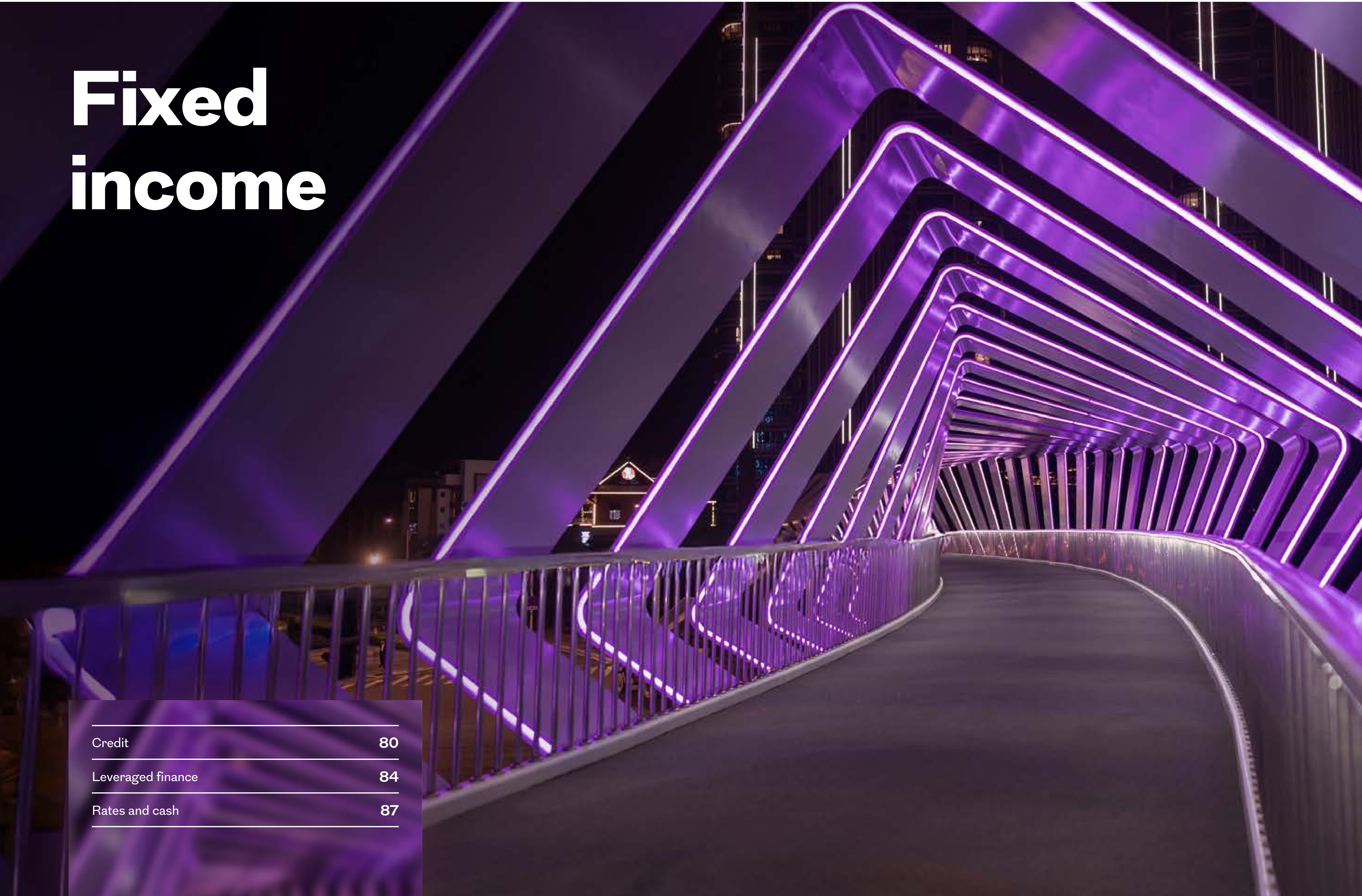
External experts

If Chequers feels an issue represents a material risk, it engages external ESG consultants to assess whether the risk can be mitigated and (ideally) eliminated. If not, Chequers would not proceed with the investment. Chequers works with external consultants to ensure focus is maintained on areas that present the greatest ESG risk, depending on industry, sub-sector or geography.

Annual ESG reporting

Chequers issues an annual ESG report to its investors. Within that, portfolio companies must report all ESG considerations using key performance indicators.

Each investment is allocated a 'Road Map' at the time of original investment. This sets out the expected progress and goals to be achieved during ownership and, most importantly, when the company is launched for exit.



Fixed income

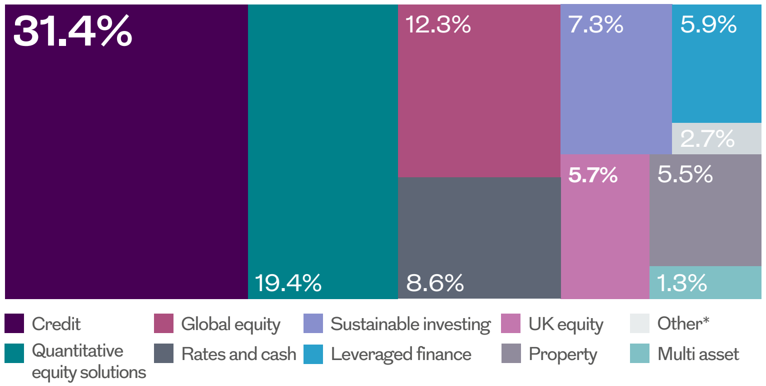
Credit

Our Credit team research covers investment grade sterling and global credit. Considering ESG in our credit research framework goes beyond navigating risk. It is about finding market inefficiencies and long-term investment opportunities that others may have overlooked. We identify risks collaboratively and make decisions based on many factors, including the insights we gain on ESG performance through direct engagement with bond issuers.

Highlights

- Increased our exposure to selective gas bonds where climate risks are mitigated
- Views on the difficulties of structuring sustainability-linked bonds
- Engaged on net zero in the commercial real estate sector.

Sterling credit



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Credit *continued*

Paola Binns
Head of Credit

"Our targeted and bespoke ESG research is integral to our credit research framework, enhancing risk identification efforts and the integrity of our lending decisions."

ESG in our credit research framework

We believe that integrating ESG considerations in our credit risk assessment helps us better identify risks and improves our understanding of bond pricing, structure and portfolio positioning. Critically, our position as creditors means our ESG integration focuses not only on who we lend to but also on how and where we lend in the capital structure.

Enhanced insights through engagement

Our approach to engagement embraces the inefficiencies of credit markets. We target sectors with the most ESG risk and limited third-party research. This targeted engagement turns the lack of publicly available ESG data into an opportunity to discover more information ourselves.

We enhance our engagements through close collaboration with our team's credit analysts and ESG specialists and the subject-matter experts of our Responsible Investment team.

Gas sector – Stranded assets

In 2019, we published a report on the gas sector titled 'The Death Spiral'. In it, we acknowledged the risk of stranded assets – assets that become obsolete or non-performing before the end of their expected economic life due to the transition to a low-carbon economy. In this case, we looked at the stranded asset risk associated with gas distribution and transmission assets*. We also examined how this risk is not accurately reflected in the valuation of these assets, given the potential for them to lose value.

As demand for gas reduces over time, fewer consumers will be available to cover these costs through their gas bills, eventually leading to higher bills for consumers and assets that cannot be paid for. When we published the report, we concluded that bonds were not pricing in this threat, leading us to take an underweight position in the gas sector.

As this concern has become more apparent, and following relative underperformance by the sector, it feels timely to challenge the current consensus ahead of the upcoming regulatory period for gas distribution networks (RIIO3). We are focusing on specific actions that address stranded asset risk within the latest regulatory approach.

Some regulatory relief

Under the existing funding model, and the introduction of its target to reach net zero by 2050, Ofgem is thinking about speeding up the depreciation process to better match how gas usage is changing.

This will help ensure that higher gas costs, which would have otherwise been incurred by fewer customers left in the future – including those forced to remain gas users due to financial constraints, will be shared across the current wider base of existing customers. Furthermore, such an approach is better aligned with a net zero future, helping to encourage households to switch away from gas before 2050.

Hydrogen hesitancies

This approach also better reflects the uncertainty surrounding hydrogen, which remains unlikely to replace gas as an energy source entirely. During 2024, our meetings with gas distribution network operators confirmed this outlook. For example, we learnt that a hydrogen trial involving gas distribution network operators was cut short due to insufficient supply of low-carbon hydrogen. Looking ahead, our borrowers do not view hydrogen as a sole-use option for heating. Instead, they see it as complementary to electrification and as a more viable alternative for industrial use than residential heating.

Increased exposure

Overall, our work has provided valuable insights into the gas sector's risks. With Ofgem set to formally acknowledge the transition's financial risk and the regulatory framework's critical role, we increased our exposure to selective gas bonds where we feel the financial risks of climate are mitigated. We continue to monitor regulatory developments closely as the sector moves towards RIIO3.

* distribution assets are low-pressure pipelines that deliver gas locally, while transmission assets are high-pressure pipelines that transport natural gas over long distances.

Credit *continued*

Commercial real estate

The commercial real estate sector continues to experience strong momentum towards better climate practices. This is being driven by several factors, including regulatory pressures and the growing demand for properties with good environmental credentials.

This is particularly the case for commercial office space, with more tenants looking for greener buildings that align with their own sustainability ambitions. Because of this, property values and income streams are increasingly linked to environmental credentials. Consequently, a performance gap is arising between landlords with newer and greener properties and those owning buildings with lagging ESG characteristics. As these forces can affect borrowers' financial stability and ability to repay debt, commercial real estate is a prime example of how there is now little distinction between credit analysis and ESG analysis.

Targeted engagement

As a lender to a range of secured property debentures, we targeted our engagement during 2024 towards understanding further the impact of the net zero transition on these issuers. Generally, these companies have lower public profiles than conventional issuers of unsecured corporate bonds. This means we potentially have more influence as lenders to help shape transition planning and reporting while also enhancing our understanding of the company. Furthermore, given the perception that these bonds are less liquid and more ‘buy and hold’ in nature, a longer-term understanding of sustainability feels even more appropriate.

Cautious of covenants

Although certain debentures are unrated (meaning they don’t have a rating from a credit rating agency), these bonds benefit from security and covenants, which help address subordinated creditor control. However, despite the benefits of such protections, there are also limitations. While covenants help maintain the value of collateral against our lending, they place reliance on valuers being honest and forthcoming in their assessments.

Ongoing dialogue is vital

Our conversations with issuers are an important opportunity to gain insights into the quality of the companies servicing our bonds and the specific properties on which our lending is secured. This direct dialogue enhances our risk identification and evaluation.

We are pleased with the attention our borrowers are giving to sustainability and net zero. We believe that issuers recognise the importance of strong climate credentials and are well-placed to meet regulatory requirements in the short term.

We are also encouraged that those companies that materially depend on strong environmental credentials are the ones taking the most decisive actions. This is important because environmental risks directly affect an asset’s lifespan and cash flow. This also underpins our current investment in the sector and helps inform our bond ratings and valuations.

Engagement leads to clarity

As a result of our engagements, we now have a clearer picture of each of our borrowers' progress toward net zero and the quality of the underlying assets. We can also integrate how prepared our borrowers are for the transition into our evaluation of their balance sheets.

Labelled bonds – Credibility over convenience

Those familiar with our approach to ESG integration will know of our healthy scepticism towards labelled bonds. While we support these instruments' ultimate aims, we remain cautious of taking labels at face value and instead look behind them to understand the true sustainable value of our investment. We invest in bonds that meet our financial expectations while keeping our ESG expectations in mind too. Here, we provide two examples of sustainability-linked bonds (SLBs) that we invest in, which highlight the challenges of structuring these instruments in a way that is true to their intended ambitions.

London & Quadrant – Social housing

London & Quadrant (L&Q) is one of the UK’s largest housing associations, with a portfolio of over 100,000 units primarily across London. Like the rest of the sector, L&Q is facing several headwinds and competing demands on its resources. One of these priorities is greater investment in the energy efficiency of homes, which is in line with the UK government’s net zero by 2050 ambition. We strongly welcome the sector’s commitment to the transition. It is a unique opportunity to drive emissions reduction from the housing stock, alleviate fuel poverty and create better homes for social housing tenants.

Given the high priority of the energy transition, L&Q’s sustainability-linked bond might appear as a useful tool to create accountability and transparency on this critical issue. The bond embedded a key performance indicator (KPI) targeting a 20% reduction in Scope 1 and 2 emissions by March 2024. However, L&Q did not achieve the target, which triggered a step-up in the bond’s coupon of 0.125% until the 2032 maturity.

Given our long history of investment and engagement with L&Q, we view this failure to meet the target as a reflection of the construction and measurement of the targets rather than a representation of L&Q’s underlying climate progress — not least because the target’s scope is solely limited to direct emissions. Indirect Scope 3 emissions from tenants’ energy use are by far the most significant element of housing associations’ carbon footprint. This remains both the most challenging aspect of the sector’s journey to net zero and the key basis for our own transition analysis.

This example outlines the complexities of structuring SLBs and the importance of comprehensive and well-constructed targets. It also highlights the importance of looking beyond the label and targets and examining the broader credentials of the business and the investment.

Credit *continued*

Heathrow – Air travel

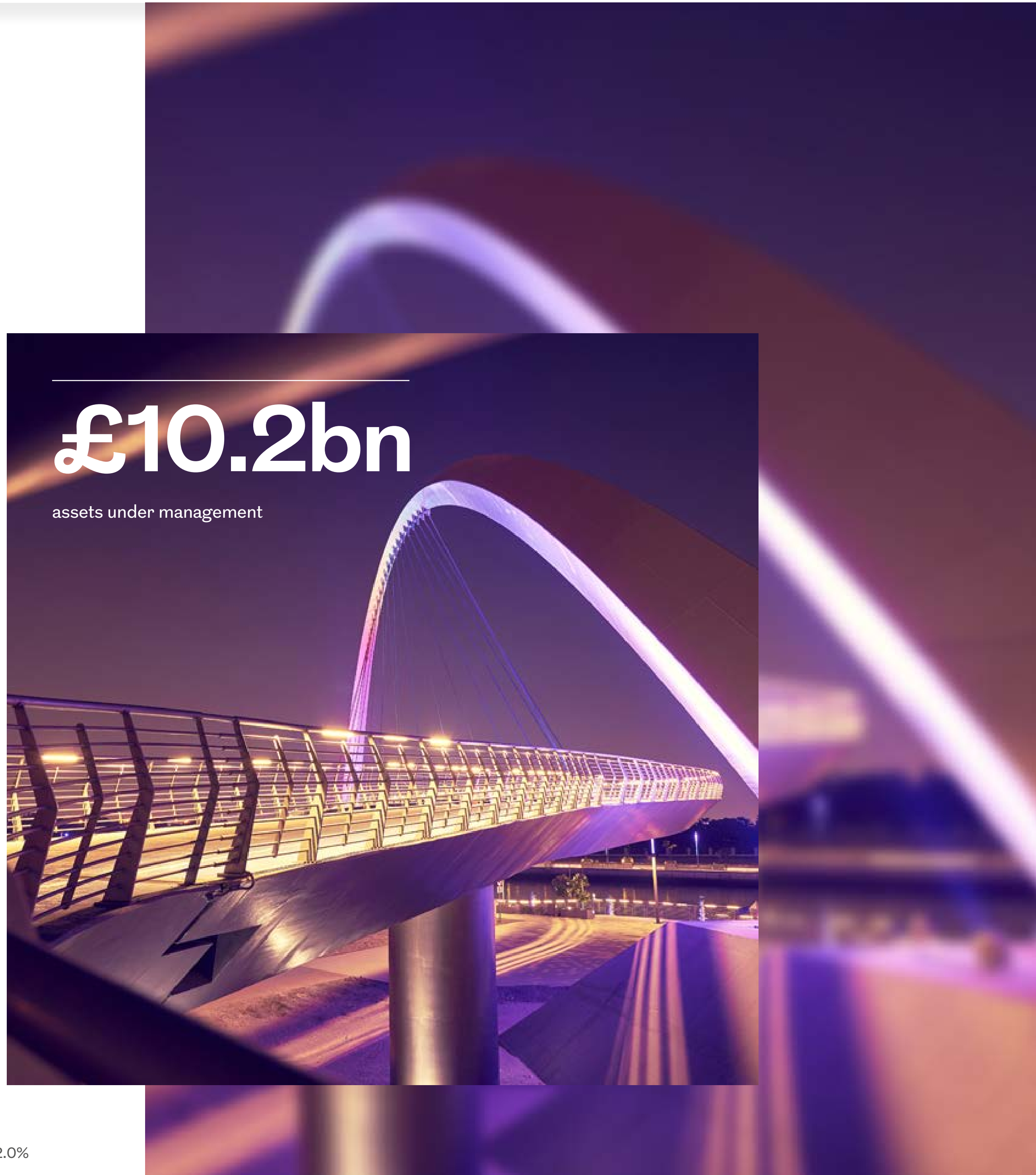
Within a sector that is clearly a large carbon emitter, Heathrow is the first airport to have SBTi-validated emissions reduction targets, demonstrating a progressive approach to tackling its carbon footprint.

We welcomed the broad scope of the Heathrow bond's KPIs. They target a 15% reduction of 'in the air' (Scope 3) emissions and a 46% reduction of 'on the ground' (Scope 1 and 2) emissions by 2030 (versus a 2019 baseline).

The targets appear sensible. However, unlike the conventional coupon increases seen in previous SLBs, the issuer will pay a 1% premium at maturity in 2032 for non-compliance. This delays the financial consequences of missed targets.

Given the complexities of this area, we remain focused on the nuances of an issuer's fundamental ESG credentials. Our lending to Heathrow is on a secured basis, with dividend payments subject to compliance against key financial metrics. This provides a significant degree of pre-emptive creditor control and, along with security, helps to dampen the impact of unforeseen risks, including ESG concerns.

Leveraged finance

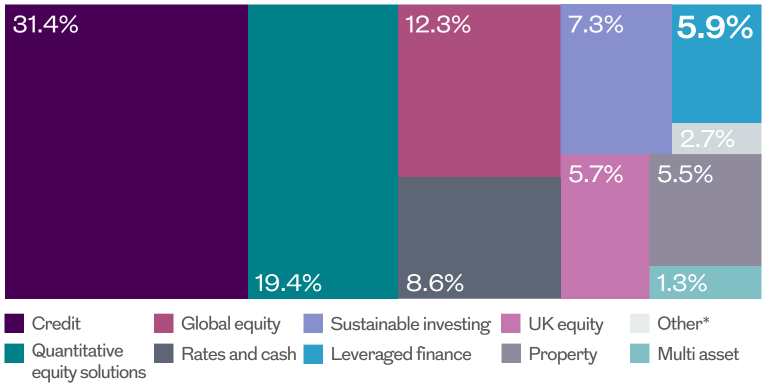


Our Leveraged Finance team is responsible for our sub-investment grade credit strategies, alongside emerging market credit, leveraged loans and multi-asset credit. An ESG scoring system underpins our integrated approach. We prioritise analysis of good governance and climate considerations, alongside engagement with issuers. This enhances our credit research and supports better investment decisions.

Highlights

- Re-rated Progroup, after ongoing engagement
- Extensive engagement with Sisecam, focusing on its climate change strategy.

Leveraged finance



Subject to rounding

* Includes Private equity at 0.3%, Derivatives at 0.4%, Private debt at 0.01%, and Commodities at 2.0%

Leveraged finance *continued*

Sebastien Poulin
Head of Leveraged Finance Research

"We believe active ESG and C integration is critical to generating the best possible outcomes for all stakeholders while encouraging corporate issuers to improve disclosure and transparency."

Comprehensive credit analysis

The Leveraged Finance team's environmental, social, governance and climate (ESGC) philosophy prioritises long-term stewardship over short-term profit, and engagement over exclusion. We do not differentiate ESGC analysis from credit analysis – both form part of the overall credit analysis and formulation of a potential investment's internal credit rating.

Collaboration is key

Our approach involves a collaborative decision-making process that incorporates public information and independent research. We collaborate closely with our Responsible Investment team, which provide insights on ESG issues and stewardship to improve information flow and corporate behaviour.

Governance scores set the standard

Poor governance can lead to financial controversies, legal penalties and loss of investor confidence, which could negatively impact a company's financial stability. As such, we have a baseline score for governance, and if a company falls below that level, we will not invest in it.

Progroup

Sector consolidation

Progroup is a privately owned manufacturer of containerboard and corrugated sheetboard, predominantly operating in Germany. The company's key competitors (Smurfit Kappa and DS Smith) are investment-grade rated. Therefore, Progroup offers high-yield investors an opportunity to become involved in a sector that is undergoing consolidation.

Addressing environmental and climate concerns

Our initial analysis of Progroup in 2022 highlighted environmental and climate concerns. However, as Progroup is a private company, we believed this was due to a lack of measurement and reporting rather than any critical concerns with the business. Because of these reporting weaknesses, we downgraded our rating of Progroup, putting it at risk of divestment if we did not see signs of improvement over a specified period.

Taking action to improve disclosure

Our first engagement in June 2022 was on climate transition risk, as we felt the company could do more to improve its disclosure and reduce its environmental impact. In response, Progroup's management explained its progress in this regard, including its intention to publish an inaugural sustainability report and more detailed measures. As promised, the company published its first sustainability report in July 2022.

Reassessing our rating

After Progroup published its sustainability report, we reassessed the company and found that it met our ESGC criteria. Therefore, we reversed our downgrade, and it was no longer at risk of divestment.

Reducing its impact further

We are encouraged by Progroup's continued efforts. In September 2023, we met with management, and it committed to continue publishing sustainability reports. It also provided an update on the construction of its second waste-to-power plant in Germany, which would reduce its reliance on natural gas.

In March 2024, when Progroup entered the high-yield market to refinance its bonds, its management went a step further by adding the new waste-to-power plant as a guarantor to the bonds. We viewed this as a healthy sign of Progroup's ongoing commitment to reducing its environmental impact.

Leveraged finance *continued*

Sisecam

Focused on future sustainability

Sisecam is one of the world's leading manufacturers of glass products, including architectural and industrial glass, glassware and glass packaging. Headquartered in Turkey, it has production facilities in 14 countries.

Its proactive climate change strategy and role in the circular economy help mitigate the operating risks for this diversified, innovative and sustainability-focused company.

Assessing ESGC risks

Glass manufacturing is typically very energy-intensive due to the extremely high temperatures in the furnaces. Currently, most of the production still relies on natural gas, so the ability to eventually shift towards more renewable energy sources is important.

Another critical ESG matter for Sisecam is the use of glass cullet (broken or waste glass used in the glass manufacturing process). Not only does this prevent packaging waste, but it also significantly reduces raw material usage and production-related greenhouse gas emissions.

Consequently, our engagements with Sisecam focus predominantly on its climate change strategy and the circular economy, as we deem these to be the company's most material ESG risks.

'Plant of the Future' project

Sisecam's 2023 sustainability report highlighted the improved efficiency of its furnaces, increasing use of renewable energy capacity and growing capabilities in solar glass processing. These will remain key areas for Sisecam as part of its 'Plant of the Future' business model, which involves cutting-edge technologies and alternative energy sources to reduce energy consumption and the development of more sustainable production models. Sisecam has a specific target to commission a fully electric glass melting furnace by 2030, which is currently in the project design phase.

Enhanced target setting

A new high-yield bond issuance in May 2024 provided an opportunity for us to meet its management team in London. During the meeting, we discussed the details of Sisecam's 'Care for Next' sustainability strategy. Sisecam is working to set an SBTi-compatible emissions reduction target for 2030 to complement its existing 2030 and 2050 ESG targets.

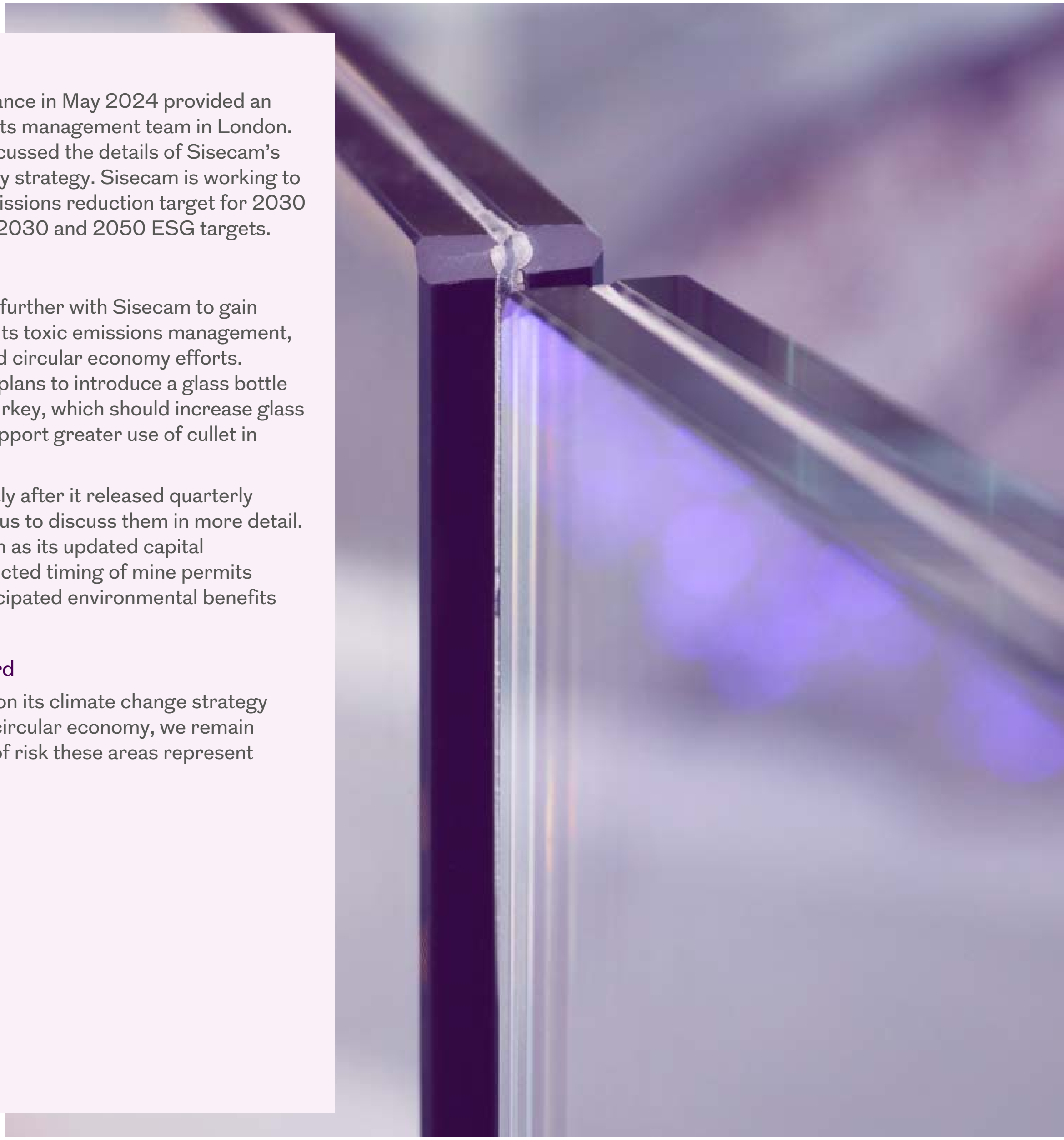
Deeper dive

In June 2024, we engaged further with Sisecam to gain a deeper understanding of its toxic emissions management, climate change strategy and circular economy efforts. The company explained its plans to introduce a glass bottle deposit return system in Turkey, which should increase glass packaging recycling and support greater use of cullet in glass production.

We also met Sisecam shortly after it released quarterly earnings in 2024, allowing us to discuss them in more detail. We covered key topics such as its updated capital expenditure plans, the expected timing of mine permits being granted, and the anticipated environmental benefits of its US soda ash projects.

Monitoring risk and reward

Given Sisecam's progress on its climate change strategy and its participation in the circular economy, we remain comfortable with the level of risk these areas represent for us as investors.



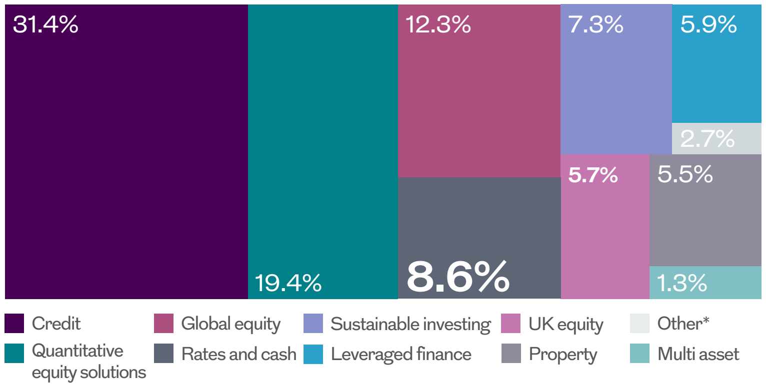
Rates and cash

Our Rates and Cash team manages our cash, liquidity and government bond strategies. By prioritising investment with counterparties that have good ESG credentials, our investment strategy helps enhance liquidity during times of stress and our clients to achieve consistent returns. Effective ESG risk management and the construction of diversified portfolios reflect our commitment to responsible investment.

Highlights

- Governance and social concerns meant Credit Suisse and Silicon Valley Bank were avoided
- Low ESG-rated banks are subject to engagement and restricted to short maturities
- Engagement with Commonwealth Bank of Australia on remuneration, gender pay gap and employee turnover.

Rates and cash



Subject to rounding

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Rates and cash *continued*

Craig Inches
Head of Rates and Cash

"We believe understanding the ESG characteristics of a bank is just as helpful as understanding the balance sheet."

Long-established expertise

We have provided specialist cash management services since 1987, managing liquidity and short-term fixed income assets for a diverse range of clients. We regard liquidity as a distinct asset class, and our extensive experience helps us deliver a range of solutions that truly meet our clients' needs.

Our clients benefit from thorough credit research, robust risk management, active portfolio construction and consideration of ESG risk alongside other key factors. Some of our solutions negatively screen out companies that generate over 10% of revenues from tobacco, armaments and fossil fuel extraction. We also apply ESG risk scores to our investments and carry out systematic reviews to address areas of concern.

Banking on good ESG credentials

The monitoring of ESG factors in cash has become more developed in recent years and understanding the ESG characteristics of the banks we use is just as helpful as understanding the balance sheet. Although we are lending on a short-term basis, this lending is by nature unsecured. This means we are dependent on good management practices by the banks to ensure our assets are secure.

Corporate governance and ethical business practices are of particular interest to us, because as we saw with Credit Suisse and Silicon Valley Bank in 2023, poor management can have a major impact on investors. We also tend to lend to the same banks over and over again, so although the assets we invest are short term, our relationships with those banks are long term. By developing those relationships and assessing ongoing management of ESG issues we can incorporate any risk factors into our reviews.

Engagement matters

For banks with poor ESG ratings, we may continue to use them, and we may consider engagement to try to address the concerning issues. In addition, we may only invest in short maturities until we see a material improvement. By keeping deposits below three months' maturity, we have a 'backstop' of knowing that if any issues do emerge, we can get our money back in relatively short order.

ESG considerations are closely linked to the key priorities of cash investors, namely security, liquidity and yield. A bank subject to any ESG controversy could potentially see impaired liquidity in its longer-dated paper, which we therefore try to avoid.

Our four-pillar ESG framework

We can construct a balanced portfolio with an understanding of material ESG risks by assessing issuers qualitatively and quantitatively.

Our four-pillar ESG framework

Qualitative and quantitative assessments of every issuer allow us to construct a balanced portfolio with an understanding of each company's ESG risks.

1. **Exclusions:** We exclude issuers with significant involvement in armaments, tobacco or fossil fuels.
2. **Quantitative framework:** Incorporating third-party ESG data alongside internal analysis, we assess and manage ESG risks at the company and portfolio levels, limiting exposure to lower ESG rated issuers.
3. **Qualitative assessment:** Collaborating with our Responsible Investment team, we add depth to our quantitative analysis through thorough credit assessments and discussions with credit and Responsible Investment analysts.
4. **Engagement:** We will work with companies with weaker ESG credentials, aiming to drive improvements in practices and behaviour.

Rates and cash *continued*

Commonwealth Bank of Australia

We believe that corporate governance is a prerequisite for creating and protecting investment value and that it plays a role in ensuring companies are in good standing with their stakeholders. In September 2024, we met with the Commonwealth Bank of Australia to discuss remuneration, its gender pay gap and employee turnover.

Revised remuneration

The company explained a positive change to the structure of its bonus awards for executives. Following a request from the regulator that financial and non-financial measures be equally weighted, the bank increased the percentage of bonus based on financial measures from 40% to 50%. The remaining 50% is based on a combination of customer satisfaction, people engagement, succession plans and cyber security. The exact targets for these remain undisclosed, but the company has confirmed it will address this in the future.

However, the company is retaining two long-term incentive plans, one performance-based and the other not. Currently, the non-performance-based restricted share plan is larger, and we stated our preference for this to be reversed, with at least 50% of awards based on disclosed performance measures.

Tackling the gender pay gap

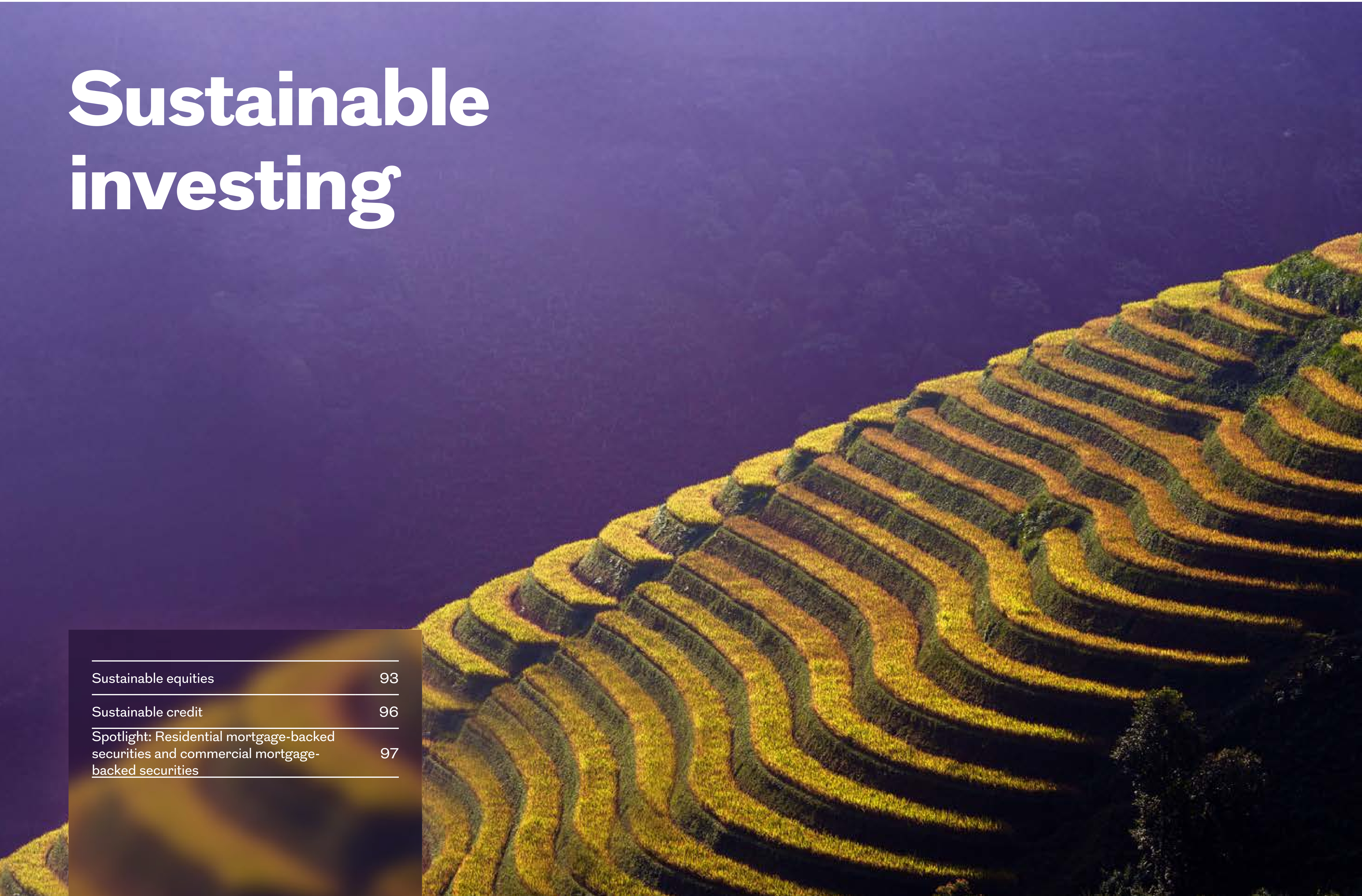
This was the first time the bank had published gender pay gap data and showed a 29.9% gap organisation-wide. The biggest challenge in addressing the imbalance is the number of high-paying technology roles at the bank. We discussed the challenge the bank has in attracting female graduates to some technology roles.

Examining employee turnover

In 2024, the bank experienced a decrease in voluntary turnover, while involuntary turnover increased. We discussed its return-to-office policy, support through on-site childcare, flexible work options (including part-time roles), and accommodations for caregiving responsibilities.

Climate commitments

The company is focused on several key areas of climate commitments. Firstly, with more than 50% of its portfolio in mortgages, it is advocating for the national transition away from ageing coal plants to renewable energy sources. However, this is challenging due to weaker community support, with people understandably prioritising cost-of-living concerns over climate.



Sustainable investing

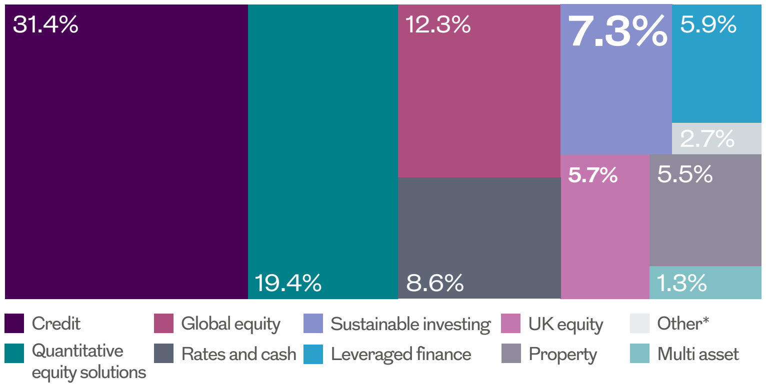
Sustainable investing

Our sustainable strategies have both single asset and mixed asset funds that are managed collaboratively by the equities and credit teams. We champion innovation and social progress by embracing a future-focused approach that supports companies that make the world clean, healthy, safe and inclusive. Navigating challenging markets, we are optimistic about the ability of sustainable companies to deliver strong returns over the long term.

Highlights

- Adaptable approach to sustainable themes: helping us capture evolving investment opportunities and remain relevant to clients' needs
- APi: engaged to understand its transition to become more sustainability-focused
- Equifinance: looking beyond the credit rating to discover the real ESG issues.

Sustainable investments



Subject to rounding

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Sustainable investing *continued*

The changing narrative of sustainable investing

Over the last two decades, the perception of sustainable investing has shifted from negative to positive and now to a more mixed view. Initially seen as underperforming and niche, sustainable funds actually delivered strong performance in the 2000s and 2010s, often topping their investment peer groups. However, it took societal changes and a growing interest in positive investing for this to be recognised.

More recently, the perception has turned more negative. This began in 2022, when the oil and gas sector, typically avoided by sustainable funds, was the only area delivering good returns following the invasion of Ukraine and the subsequent oil price rise. Higher interest rates also impacted growth-oriented companies, which are more common in sustainable funds. This shift in focus from opportunities to the costs of sustainability contributed to the negative sentiment.

Despite this, several sustainable areas rebounded strongly in 2023 and 2024, reflecting the strengthening of investment trends that support sustainable investing.

Dominant trends in sustainable investing

The dominant investment trends we are seeing are digitisation/artificial intelligence (AI), electrification as a function of decarbonisation, and healthcare relating to the impact of obesity drugs. These three areas have pushed markets forward from the bottom up, while at the same time, top-down economic influences have become more positive.

Digitisation, decarbonisation and healthcare are arguably the three most powerful and durable long-term societal and investment trends, and they form a core part of sustainable investing. Therefore, we believe that sustainability and sustainable investing are far from fading. Indeed, we believe these themes are growing stronger.

In the UK, the Sustainable fund range will adopt the Sustainability Disclosure Requirements (SDR) Sustainability Focus label in 2025. Therefore, this 2024 report does not reflect changes being made to the fund prospectuses.

Consistency across asset classes

All our sustainable equity and fixed income funds follow a consistent, sustainable investing approach. Our investment process, enriched with sustainability analysis, uncovers insights that are too easily overlooked.

- Sustainable screen: Apply UN Global Compact principles and scrutiny for sectors with negative ESG impacts.
- Bottom-up investment analysis: Holistically evaluate companies' sustainability features, ESG management and financial performance.
- Products and services: Focus on what companies do and how they do it, looking at their products and services to ensure they meet our sustainability criteria.
- Lower carbon: Select high-quality investments in low-carbon leaders, meaning our portfolios typically have lower carbon footprints.
- External advisory committee: Involve experts across charities, corporate governance, academia and sustainable investment to help us meet our sustainability objectives and client expectations.

An evolving approach to sustainable themes

Our investment themes emerge from a bottom-up stock and bond selection process and always align with our stringent sustainable and financial criteria. We dynamically adjust our focus as social and economic trends change and evolve, ensuring our investments remain pertinent and positioned for solid returns.

Sustainable equities

Since the start of 2022, we could argue that investors have spent too much time thinking about interest rates and inflation and not enough time on topics such as AI, electrification and weight loss drugs. This may have resulted in missing out on some generational investment opportunities.

Electrification

Two factors have driven the renaissance of electrons. The first is the desire to replace carbon-based energy with more renewable sources. The second is the huge demand for power due to the explosion of computation, itself driven by AI. This double whammy of drivers could see demand for electrons and electricity grow by as much as 10% a year for many years to come. This has profound implications for the amount of investment needed to support this growth. Many companies that are highly investable for sustainable funds, such as Schneider Electric and SSE, should benefit from this.

"Electrify, digitise, and thrive!"

Mike Fox
Head of Equities

Sustainable equities *continued*

Digitisation

AI became an area of scientific discovery in the 1950s, fundamentally focused on data and computing power. The explosion of both in recent years has allowed the creation of much more sophisticated models – and AI is ultimately about modelling.

While AI is unlikely to overtake human intelligence anytime soon, it will allow machines to perform many more tasks. This is important as demographic trends are decisively pointing to shrinking working populations. It will also enhance economic productivity, which should help with inflation.

It seems likely that we are still in the early stages of society's digitisation. For many, this will spark both fear and optimism, much like the personal computer and the internet did. Technological progress is one of life's inevitabilities, and sustainable funds can and do benefit from it.

Healthcare

Weight loss drugs are the other social revolution in its early stages. It could be argued that excessive consumption, and the additional pressure obesity can put on resources such as transport and healthcare, indirectly links it to climate change. Obesity can also be linked to many serious illnesses, such as diabetes and heart disease. The development of medicines that, with clinical supervision, could be taken to reduce food cravings and, therefore, obesity has the potential to transform many aspects of society in addition to improving people's lives.

Benefits of bottom-up investing

Investors have two choices. They can choose to invest from a macroeconomic perspective and focus on interest rates, inflation and economic growth. Or they can invest on a micro basis, focusing on trends like electrification, digitisation and health. Sustainable investing provides exposure to these influential themes, which is why we believe this is a powerful way to invest in equities.

Unilever

Struggling to achieve sustainability ambitions

In the space of a year, Unilever appointed both a new CEO and chief financial officer (CFO) and has experienced lots of recent changes. When we met with the company in February 2024, we were keen for an update on management and the business strategy overall.

Addressing risks in Russia

Unilever's business in Russia was at the top of our agenda for sustainability concerns. The company has received significant media attention for continuing to operate there, and campaigners claim that its taxes are contributing to the war in Ukraine.

The CFO explained that Unilever had ceased Russian imports and exports and was no longer spending on advertising there. Of course, the company also had to be mindful of its employees on the ground in Russia.

Interestingly, only European investors had raised the issue of Unilever's Russian business. Although it took some time due to the complexity of the transaction, we were pleased when Unilever announced in October that it was selling its Russian operations to a local manufacturing group.

Sustainability scaled back

In April, Unilever announced that it would be scaling back some of its environmental and social pledges because it had underestimated the difficulty of achieving them. Instead, it was aiming for realism.

Targets for cutting its use of virgin plastic were reduced and pushed further into the future. Living wage plans for all direct suppliers were cut back, as were sustainable crop-sourcing initiatives.

We were disappointed by these less stretching and narrower goals and arranged a call to discuss them. Unilever's announcement followed not long after Greenpeace had reported on the company's staggering use of plastic sachets in Asia, so we also wanted to address this.

Overly ambitious

What we heard from the company was disappointing. Unilever was keen to stress that the initiative to update targets was not about cost-saving and that it was, in fact, better to be more focused. We were concerned that these developments could also affect staff morale, given that corporate purpose can be a strong motivator.

We heard that sustainability was still a priority but the company had set too many targets that were proving overly ambitious for a number of reasons. These included a lack of progress on recycling infrastructure and insufficient sustainable packaging materials being commercially available. Concerning plastic sachets, it was difficult to hear that the company believes that if they aren't selling them, others will and that the social good of being able to provide shampoo and shower gel in small and affordable quantities outweighs the environmental impact.

Lower sustainability score

As a result of the call, we reduced the company's sustainability assessment. However, it is worth noting that it still stands out positively relative to the rest of its industry.

Sustainable equities *continued*

APi Group

Deeper dive on sustainability drivers

A company that keeps its customers safe should be an ideal candidate for our sustainable funds. During 2024, we became more interested in APi Group, an American company that does just that.

APi's core business is designing, installing, servicing and monitoring systems that detect and suppress fires in buildings. It also maintains and repairs elevators, ventilation and access controls.

The business has undergone transformational changes in recent years, such as acquiring a large European subsidiary. Our research, however, identified several potentially concerning areas in which we wanted to gain more comfort before investing.

Seeking clarity on fossil fuels

The first area we needed immediate clarity on was its smaller speciality services segment, which maintains and repairs critical infrastructure, including underground water, sewers, telecoms and power networks. A portion of this business focuses on natural gas, and it was unclear from the firm's disclosures how significant its exposure to fossil fuels might be.

After reaching out to APi, it confirmed that its exposure was largely focused on ensuring pipeline integrity, improving the safety of these assets and replacing pipelines. This activity has a positive impact by reducing gas leaks, which can be a major source of methane emissions. APi reassured us that it planned to pivot away from this area and that its natural gas revenues were just 5% of sales in 2023. Additionally, the company divested from one of its gas-focused subsidiaries in 2024. Instead, APi is more heavily focused on its buildings safety business.

Safety first

We wanted to examine the company's safety performance more closely, particularly with regard to contractors. APi provided detailed information on the conduct standards, safety monitoring and statistics it collects to ensure that contractors meet the same high safety standards as its own employees.

Governance structure

We also engaged directly with the company's management team during the year, raising questions about the corporate governance structures. The company reassured us that some legacy shareholding structures would be wound down in the next two years to move towards a more standardised one-share, one-vote model.

The confidence to invest

As a result of our engagements, we were assured that APi is transitioning to be a much more sustainability-focused company with stronger governance, which gave us the confidence to invest.

Sustainable credit

A distinctive sustainable opportunity

The fixed income market continued to present attractive sustainable investment opportunities during 2024. Leveraging our bespoke and differentiated sustainable research approach, we continued to search for opportunities in overlooked areas of the market with strong sustainable credentials.

Our funds also remained well-positioned to provide clients with access to critical sectors of the economy that equity investors cannot access. These include not-for-profit housing associations, which provide affordable homes at rents substantially below market levels, building societies with a stated purpose of enabling home ownership, and regulated utilities supporting the net zero transition.

Shalin Shah
Senior Fund Manager

"Our sustainable process offers the opportunity to invest in areas with strong sustainability credentials that are often beyond the reach of equity investors."

Spotlight:
Residential mortgage-backed securities and commercial mortgage-backed securities

Secured lending, including residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), forms part of the foundation of our portfolios. Unlike unsecured lending, which offers limited control over how bond proceeds are used, these instruments provide a clearer link between our funding and the net benefits delivered to society. This year, we have added a variety of secured names to our sustainable range, each offering unique societal benefits.

Vantage Data Centers UK

Loan background

Vantage is a CMBS transaction sponsored by Vantage Data Centers, a US-based company that develops and operates large-scale data centres globally. The deal is secured on two hyperscale data centres located in Cardiff, Wales, designed to meet the specific needs of the largest cloud computing providers (so-called 'hyperscalers').

Sustainable research

While Vantage does not own or operate the IT infrastructure housed in the properties, it provides power and cooling to its customers. Therefore, it has a role in mitigating the significant environmental impacts associated with the assets. Reflecting this materiality, we found it particularly useful to visit the properties, allowing for a more detailed consideration of energy management and water usage in particular.

At the sites, Vantage demonstrated how the assets are designed to achieve higher power usage effectiveness (PUE) – a metric that captures the energy efficiency of data centres – than the industry average. In addition, we discussed the technology Vantage has adopted to reduce the emissions from its backup diesel generators, which are used in the event of power loss. We also learned of the company's plans to replace water evaporation cooling systems with more efficient solutions.

To include or exclude?

After in-depth research on Vantage and gaining more insight into its operations during our site visit, we could see the benefits of all these measures. After further review and internal challenge, we deemed Vantage suitable for inclusion in our sustainable funds.

Exmoor

Loan background

Exmoor Funding is an RMBS transaction secured on a portfolio of mortgages targeted at borrowers aged 50 to 90+. The originator of the loans and transaction sponsor is UK specialist lender LiveMore.

Sustainable research

Before investing, we were keen to assess LiveMore's core social objective of providing 'access to traditional mortgage financing and facilitate home ownership for an underserved target population'. We also wanted to ensure that this was effectively reflected in the company's practices.

We learnt about LiveMore's customised approach, which involves underwriting all applications manually and obtaining a full understanding of the customer's personal and financial situation. Applied properly, this should help ensure that LiveMore is undertaking more tailored and robust affordability assessments and identifying customer vulnerabilities.

LiveMore also conducts pre-offer calls before sending an offer, enabling it to verify the customer's understanding of the product's characteristics. This initiative promotes financial inclusion and supports housing stability for older adults, which we believe can improve stability and wellbeing of residents.

To include or exclude?

This company shows a clear net benefit to society. Therefore, we deemed Exmoor suitable for inclusion in our sustainable funds.

Equifinance

Loan background

Equifinance is a mortgage lender that offers financial products designed to meet the needs of customers who have experienced financial difficulties in the past. Equifinance announced an inaugural second-lien RMBS transaction, EAST1 2024-1.

A second-lien RMBS transaction means that if a borrower defaults, the second-lien lender is paid only after the first-lien

Sustainable credit *continued*

lender has been fully repaid. This matters because it affects investors' risk and potential returns. Second-lien loans typically offer higher interest rates to compensate for the increased risk, but they are also more vulnerable to losses if the borrower fails to repay.

This secured portfolio from Equifinance consists of a large number of second-charge mortgages (loans secured on a property in addition to the main mortgage). They have relatively high average loan-to-values and a significant proportion of borrowers with challenged credit histories.

Sustainable research

Looking beyond its strong credit rating, we found it hard to gain sufficient confidence in Equifinance based on a below-average rating from Moody's and limited evidence of how it deals with customers facing difficulties.

Since it began trading in 2012, Equifinance has had only a small number of repossessions, likely because the first-charge lender would typically repossess the properties. Because of this lack of sufficient data, we found assessing Equifinance's service provision challenging.

In addition, we had governance concerns about the owners of the business, as they had previously been linked to a payday loan company that was criticised for unfair practices. Given the similar customer profile between second-lien mortgage borrowers and those needing payday loans, this connection raised a red flag for us. As a result, we could not ignore the increased risk of unfair practices.

To include or exclude?

This is an example of where our in-house, in-depth research comes into play. If we only looked at the company's credit ratings, this would seem like a good financial investment.

However, a deep dive into the company's sustainability characteristics revealed several concerns, particularly regarding governance. Notably, the business owners' previous involvement in a payday loan company that received scrutiny for unfair practices. These concerns were too great to overcome and as such we excluded the company from the sustainable funds.

Water sector

Opportunities for active stewardship

The UK water sector clearly contributes to society by providing essential services. However, the sector faces multifaceted issues which means that we review closely the ESG credentials of each of our borrowers. We take a holistic view of their overall sustainability performance while considering both the sector's long-term nature and the challenges it faces.

Looking beyond the headlines

Importantly, our bottom-up research provides us with insights that delve deeper than the news headlines that typically target the sector. For example, data from the Environment Agency shows that, over the past decade, total and serious pollution events per 10km of sewers have decreased significantly, all while water bills remained lower in real terms, according to industry association Water UK.

Stewardship in action

Against this backdrop, active stewardship is crucial. 2024 was our eighth year of engaging with the water sector. Our latest round of engagement, in collaboration with clients, focuses on climate change adaptation, biodiversity, affordability and antimicrobial resistance. We have engaged with 11 water companies to understand the challenges they face. In particular, companies increasing their bills to fund long-term sustainable solutions, like nature-based strategies, to meet leakage and pollution targets.

For more information on our antimicrobial resistance and biodiversity work, see pages 42 and 52, respectively.

Property

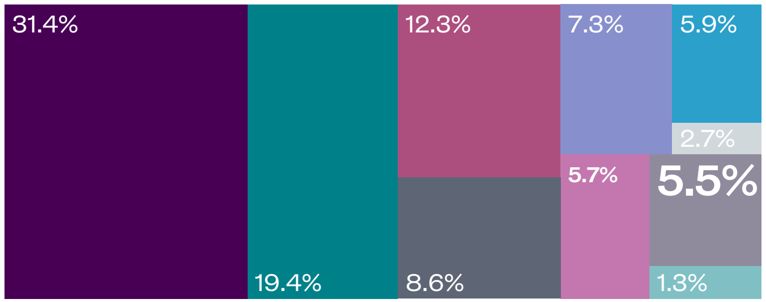
Property

Our Property team takes a forward-thinking approach to integrating ESG across our property investment activities. From investment decisions to our active asset management, we embed Responsible Property Investment (RPI) principles to enhance the performance of our portfolios.

Highlights

- Annual update to our New Construction and Major Refurbishment Sustainability Standard
- Revised Sustainability Acquisitions Checklist
- Commissioned 12 net zero audits across our multi-let and single-let offices
- Implemented an enhanced Energy Performance Certificate.

Property



Credit
Quantitative equity solutions
Global equity
Rates and cash
Sustainable investing
Leveraged finance
UK equity
Property
Other*
Multi asset

Subject to rounding

* Includes Private equity at 0.3%, Derivatives at 0.4%, Private debt at 0.01%, and Commodities at 2.0%

Property *continued*

Laura Thrower
Senior Responsible Property Investment Analyst

"By considering ESG risk within our investment strategy, we ensure the protection of our assets' value while proactively addressing climate-related challenges."

Our material RPI issues

1. Transition to net zero carbon
2. Climate resilience, adaptation and risk mitigation
3. Safeguarding natural resources
4. Biodiversity and green infrastructure
5. Progress to a circular economy
6. Purposeful construction and placemaking
7. Sustainable transport and connectivity
8. Health, safety and wellbeing
9. Diversity and inclusivity
10. Building certification

Future-proofing portfolios through stewardship

Proactive stewardship is essential in identifying and mitigating environmental, regulatory and market risks, and in preventing financial losses and operational disruptions. This approach is fundamental to our property investment strategy. We integrate RPI risk management into our existing processes and procedures throughout the property lifecycle, including acquisition, development and asset management.

By embedding these practices, our portfolios remain resilient and aligned with regulatory requirements and market expectations. Stewardship helps future-proof our property investments amid evolving trends and challenges.

A pathway to net zero

There is growing evidence that ESG issues are driving premiums across the real estate market. Therefore, integrating ESG within our investment process is key to acting in the best interests of our clients, reducing risk and enhancing returns.

As part of our RPI Strategy, the transition to net zero carbon was one of the ten material RPI issues that we identified, shown on the left of this page.

We have also published our Net Zero Carbon Pathway. This details our commitment to achieving net zero carbon across our directly managed property assets and developments by 2030, and across our indirectly managed property assets by 2040.

Net zero carbon now forms a critical element within our investment process, minimising our transitional risk and protecting the value of our property assets.

Sustainable acquisition

As part of our investment process, we complete a Sustainable Acquisition Checklist, which ensures we use a consistent and standardised ESG due diligence approach for new acquisitions. It helps minimise potential ESG-related risks and highlights areas of opportunity to add value to our investment portfolios.

Enhanced net zero checklist

In 2024, we undertook a review of our checklist and are updating it to reflect the revised Acquisitions Sustainability Toolkit from the Better Buildings Partnership (BBP).

This update includes an enhanced net zero carbon section, to ensure we fully consider this issue as part of any transaction opportunity. Enhanced measures include requesting historic energy consumption data to compare to industry benchmarks, such as the Carbon Risk Real Estate Monitor (CRREM)'s 1.5-degree pathway. Other information in the new checklist includes whether the building uses fossil fuels and if installing solar photovoltaics (PV) is viable.

GRESB scores and explanation

The GRESB (Global Real Estate Sustainability Benchmark) survey serves as a gauge of sustainability performance. It is currently the primary global benchmark for evaluating ESG aspects in real estate and infrastructure investments.

In 2024, the GRESB Real Estate Standard underwent significant changes, incorporating new data and adjusting methods to align with the priorities of the governing GRESB foundation. This included the introduction of new building certification criteria, benchmarking strategies, and new methods to assess asset performance data. Consequently, scores (0-100) from this year are not directly comparable to those from previous years. While these scores have been a valuable tool to date, it is essential to engage with detailed information within the GRESB benchmark reports, including aspects, indicators and performance metrics, to track year-on-year progress and enhance investment performance.

Standing investments

	Score		Peer ranking		Star rating	
Fund	2023	2024	2023	2024	2023	2024
RLPF	76	72	39/100	5/6	3	2
RLPPF	81	79	13/100	29/90	3	3
RLUKREF	83	81	7/100	17/90	4	3

Development

	Score		Peer ranking		Star rating	
Fund	2023	2024	2023	2024	2023	2024
RLPPF	91	92	4/7	4/9	4	3
RLUKREF	94	97	3/6	5/14	4	5

Property *continued*

Gathering this data as part of our due diligence enables us to understand an asset's decarbonisation pathway and the capital expenditure required to achieve net zero carbon. This is critical to our decision-making process. Based on the checklist's data, every potential acquisition will receive a risk rating for each material ESG issue. The ratings range from 'really risky' to 'great opportunity' and we consider these alongside an asset's commerciality.

Developing for the future

One step in our Net Zero Carbon Pathway is to reduce embodied carbon. We use our New Construction and Major Refurbishment Sustainability Standards (2024) (hereafter 'Development Sustainability Standards') across all our development and major refurbishment projects, to deliver best-in-class buildings with high sustainability credentials.

We review these standards annually to stay aligned with growing market trends, occupier requirements and emerging ESG themes. The standards cover nine sustainability categories, each with a series of targets. The nine sustainability categories are energy and carbon emissions, materials and supply chain, waste, water, climate resilience and adaptation, biodiversity and green infrastructure, health, safety and wellbeing, social value and building certifications. We embed net zero carbon goals across various targets, demonstrating just how critical an issue it is throughout the development process.

Focused on fossil fuel removal

Across all new builds and major refurbishment projects, we introduced restrictions around the use of fossil fuels for heating, hot water and cooking in our 2024 Development Sustainability Standards. This is a significant step towards achieving our net zero carbon goals and future-proofing our new developments.

Efficiency-focused asset management

We must fully understand our assets' operational performance to improve their efficiency and achieve our goals. Throughout 2024, we continued projects to drive down energy usage and carbon emissions while still maintaining and creating highly sustainable spaces to meet growing occupier demands.

Net zero audits

In 2023, we successfully completed 22 net zero carbon audits across our multi-let offices. In 2024, we commissioned an additional 17 audits across our remaining multi-let offices that fall under our 2030 net zero carbon target, along with four single-let offices. Our RPI Report (2023) provides details of how we conduct these audits and the methodology used.

Social value strategy

Over 2024, we successfully developed our property social value strategy. Its purpose is to deliver social, economic and environmental benefits for communities within the localities of our operational and development assets, enabling us to measure, monitor and report on social value. Our framework is underpinned by three social value themes. These are determined by our own strategic priorities, material issues for property sectors, and a place-based needs analysis in six of our key property asset clusters. These social value themes are:

- Resilient Economies
- Thriving Communities
- Sustainable Places

Following the establishment of our strategy, we are now in the process of implementing it through a pilot programme that consists of four operational assets. This programme is critical in understanding how we practically deliver social value activities across different asset classes and use these learnings when expanding the implementation of our strategy.

Biodiversity strategy

In 2024, Biodiversity Net Gain (BNG) was introduced in England, a mandatory requirement for developments to deliver a minimum 10% BNG. This placed significant emphasis on the importance of integrating nature-based solutions (NBS) and identifying opportunities to improve biodiversity across our property assets, while ensuring we meet regulatory requirements. Additionally, nature is recognised to deliver a number of other co-benefits for the built environment, including climate resilience and enhancing occupier wellbeing.

In 2024, we commenced the development of our biodiversity strategy for our operational and development properties. By completing a baseline audit of biodiversity and natural capital value across our whole portfolio, we have strategically identified where the opportunities lie for green infrastructure and nature-based solutions across the property sectors. By quantifying the biodiversity value of our portfolio, we are establishing targets and associated key performance indicators, enabling us to measure our progress towards improving biodiversity, natural capital and nature restoration. This will be supported with a set of NBS guides, providing practical guidance on how to maximise the delivery of biodiversity across different property archetypes. We will complete our strategy and begin implementation in 2025.

Portfolio-wide flood risk assessments

A fundamental element of our RPI Strategy is to invest in a resilient portfolio. Flooding can significantly impact property assets, from increasing insurance premiums to potential income loss due to operational disruptions. Therefore, it is crucial to understand the impact of flooding, its potential effect on property values, and the costs associated with implementing mitigation measures. Having this knowledge enables us to make well-informed investment decisions.

Rating the risks

In 2024, we completed comprehensive flood risk assessments across all our properties, evaluating present-day and future flood risks under an extreme climate change scenario.

As part of our portfolio review, each asset received an overall flood risk score ranging from 'negligible' to 'very high'. We also considered various flood sources – pluvial (surface water), fluvial (rivers and coastal) and groundwater.

For 19 assets that met a predetermined risk threshold, we commissioned further detailed flood risk assessments. These involved surveying the properties to evaluate site-specific flood risks, potential consequences and necessary mitigation measures. The recommendations from these assessments support our proactive asset management, feed into our asset business plans and preserve the value of our investments. These detailed assessments also provide us with revised flood risk scores for each asset. These will be critical to making well-informed investment decisions, placing resilience at the forefront.

Spotlight: Natural capital – first farmland investment

We remain focused on diversifying our property portfolio to build resilience to future uncertainties.

In 2024, we invested in 21,000 acres of prime, grade 1 farmland in the UK through a joint venture with South Yorkshire Pension Authority (SYPA). As our first investment in natural capital and agriculture, it demonstrates our commitment to investing in assets that will benefit future generations while delivering diversified real asset returns to our clients.

Balancing financial and environmental rewards

Our vision is to proactively manage this new natural capital asset to provide our investors with a long-term financial return while protecting and enhancing the soil, water, air, biodiversity and living organisms.

Across the farming estate, there are different types of infrastructure, including:

- reservoirs
- irrigation systems
- grain dryers
- commercial and residential properties.

These, combined with the farmland, present challenges and significant opportunities. We plan to repurpose redundant buildings for alternative uses. We also want to enhance and commercially manage the residential estate so that the farm operates in best-in-class facilities and delivers positive outcomes for our occupiers. We will also be exploring innovative technologies to maximise efficiencies during crop production.

Nature-based solutions

The farmland presents us with the opportunity to deliver a combination of nature-based solutions. In turn, it also helps us respond to multiple sustainability challenges, such as addressing climate change and biodiversity loss.

Establishing a baseline

Ahead of implementing a number of these strategies, we have commenced a large-scale baselining project to understand the current state of the farmland. This includes:

- assessing the peatland carbon stock to determine the volume of carbon it currently contains
- determining the biodiversity value onsite
- undertaking a hydrological assessment to monitor groundwater levels.

We aim to consolidate this data and use it to inform our strategies. It will also help us monitor and measure the farm's underlying performance and inform our decision making.

We invested in

21,000

acres of grade 1 farmland in the UK

1st

investment in natural capital and agriculture

Multi asset

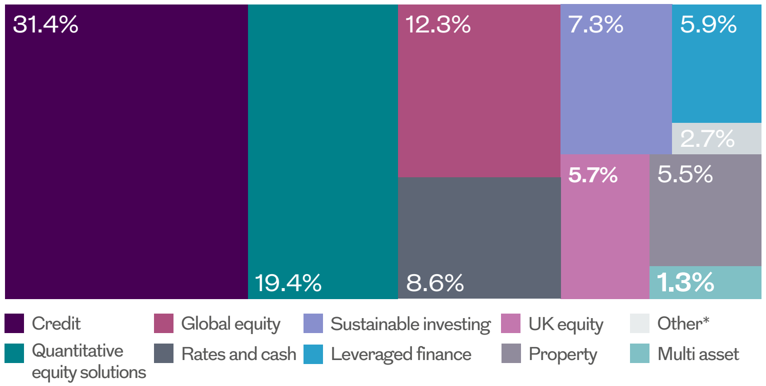
Multi asset

Different asset types tend to perform well under different conditions and at different times. We offer our clients an effective means of combining their exposure through a diversified strategy, integrating ESG considerations into well-balanced and dynamic multi asset portfolios.

Highlights

- Review 'from within' of our ESG practices and funds by industry expert
- Selected the BCOM Commodity Index to reduce GHG emissions
- Invested in the BCOM Climate Aware ETF to address underlying environmental costs of each futures contract.

Multi asset



Subject to rounding

* Includes Private equity at 0.3%, Derivatives at 0.4%, Private debt at 0.01%, and Commodities at 2.0%

Tactical asset allocation process applied to

£99.5bn

While the chart refers to the external money run by the Multi Asset team, the team applies its dynamic tactical asset allocation process to £99.5bn across the different asset classes

Multi asset *continued*

Stewardship developments in our multi asset funds

Royal London's multi asset investment propositions are designed to meet a wide variety of customer needs in a rapidly changing world. We keep the broadly diversified asset mix of our funds under constant review as the investment backdrop evolves and we manage day-to-day exposures actively. In our view, there's no such thing as passive in multi asset and our active approach extends to responsible investment and stewardship.

Our multi asset funds are constructed primarily using single asset class exposures managed in-house and the Multi Asset team works collaboratively with all of the other asset class teams within Royal London. By sitting together in one location, the team has a deep understanding of the investment processes, including how they relate to stewardship issues. They also have direct access to managers and real-time visibility of underlying holdings.

Several of Royal London Asset Management's strategies have explicit sustainability or ESG objectives, while some may consider ESG risks and inefficiencies as part of their investment process. As a result, investors in our multi asset funds benefit from the full range of responsible investing approaches, including those designed to help reduce carbon emissions and transition to a sustainable world. As an active manager, we can exclude companies with poor ESG practices or integrate ESG considerations into active security selection decisions. As an example of how this works in practice, the majority of the global equity exposure in Royal London's multi asset funds comes through specially adapted tilt funds that aim to achieve efficient market exposure with a lower carbon footprint, relative to the index.

Enhancing credentials

We understand the importance of innovation and evolution within responsible investment and this is especially important for multi asset funds. As part of this development, over 2024, the Multi Asset team had the benefit of working with a leading academic and industry practitioner with detailed knowledge of responsible investment practices across the industry.

Working in partnership enabled us to review our funds and ESG practices within the Multi Asset team. It also helped identify practical, implementable steps to add value and better articulate sustainability considerations. In addition, we were able to create a roadmap of future actions, which emphasises collaboration with our underlying managers, to better understand ESG practices and enhance stewardship further.

Clearer consideration of commodities

As testament to this commitment, we continued to make important decisions over 2024 on commodity allocations in our multi asset funds, with ESG elements driving our thinking. Commodities can enhance resilience to unexpected inflation shocks, as we saw in the post-Covid recovery. We have held a strategic allocation in funds since 2016, making us one of the largest commodity investors in the UK. This position, coupled with the fact that commodities are not invested in-house, has allowed us to demonstrate continued thought leadership, particularly regarding climate considerations.

New commodities index

Our starting point with commodities was to select the Bloomberg Commodity Index (BCOM) for our investments. This index is notably underweight in oil and gas when compared to the more established S&P GSCI Index, most often used internationally. The BCOM's methodology, which limits any related group of commodities to no more than 33%, which significantly reduces potential greenhouse gas emissions. We continue to evolve our thinking, helping the index provider to develop the market's first carbon-aware commodities index and providing the necessary investment to allow a third-party asset manager to launch the world's first SFDR Article 8 commodity exchange traded fund.

Addressing the environmental cost of commodities

The BCOM carbon-aware commodity basket describes an active strategy which, while having the same component commodities as the BCOM Index, incorporates a measure of the environmental costs associated with the production of each constituent. As with Royal London's equity tilt funds, the index tilts exposures away from commodities with the highest carbon cost of production within each sector towards those adopting more carbon-efficient processes.

By investing in the BCOM carbon-aware commodity basket, we aim to achieve an additional 20% emissions saving over and above that achieved by other commonly used commodity indices. At the same time, we are supporting broader stability and growth by helping finance the raw materials necessary for economic development and the transition to a low-carbon economy.

ESG integration in other asset classes

Our multi asset strategies use Royal London Asset Management funds to provide exposure to mainstream asset classes.

The ESG characteristics of these funds reflect the approaches of the underlying investment teams, as outlined below and detailed earlier in this report.

Equities

ESG risks and inefficiencies are considered in our portfolios by investing in 'tilted' equity funds to reduce exposure to higher-carbon emitters and companies with poor ESG performance. We also use actively managed funds, where ESG risks are part of the investment process. Additionally, in late 2024, we changed our method to access emerging market equities from an index-tracking approach to a low-carbon 'tilted' approach in line with our other quantitative equity funds. See the Equities section on page 65 for more details.

Multi asset *continued*

Fixed income

Within fixed income, ESG is considered in our bottom-up analysis, valuation process and debt security selection. The team looks beyond headline credit ratings, delving deeper to gain a fuller understanding of a security's ESG characteristics. It also aims to establish pre-emptive controls that give bondholders more power to influence the companies issuing the bonds. This proactive approach can help address any issues early before they become more significant.

Property

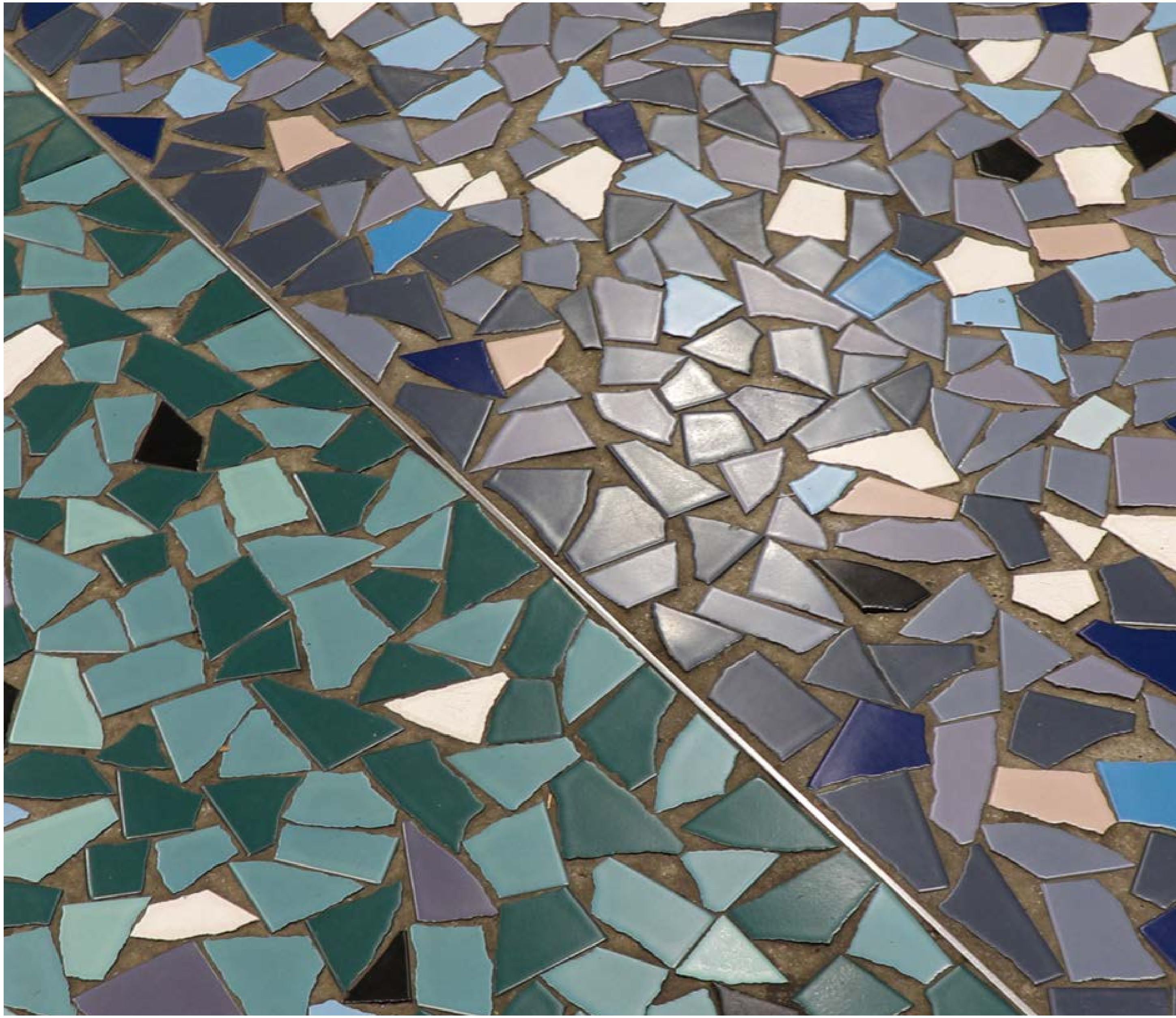
Royal London Asset Management's Property team focuses on acquiring high-quality properties to generate long-term returns and embed Responsible Property Investment (RPI) principles into all our activities. As part of this, it has implemented a net zero plan and roadmap. This details the commitment to achieving net zero carbon across directly managed property assets and developments by 2030, and indirectly managed property assets thereafter. It is also developing strategies to install onsite solar photovoltaic systems to help meet renewable energy targets. Furthermore, the team is integrating smart technology to optimise energy use, reduce carbon emissions and lower occupier costs.

Derivatives

We use derivatives for dynamic tactical asset allocation, adjusting positions to respond to changing market conditions. Oversight and 'best execution' processes embed critical internal governance factors into every investment decision, ensuring transparency and accountability. Additionally, ESG factors are reviewed when determining which counterparties we use, helping make informed decisions about those to onboard or avoid based on their ESG practices.

Strategic asset allocation

Broad diversification is central to our multi asset portfolios, offering better risk-adjusted returns and resilience to shocks. As part of the resilience testing and understanding the key risk-return drivers, the strategic asset allocation process incorporates broader ESG factors, including a range of climate change scenarios.



Further reading

In this section we describe in more detail our approach to stewardship, including how we engage with companies, our escalation approach, our voting practices, working with clients, how we manage our business responsibly and our compliance with key regulations.

Engagement

Engagement is vital to encouraging companies to improve, reduce investment risk and deliver better outcomes for clients and society. We engage across our equity and fixed income funds to enrich our investment insights and fulfil our stewardship responsibilities.

Targeting our engagement resources appropriately

We choose which companies to engage with using one or more of the following criteria:

- Address a principal adverse ESG impact or poor governance
- Meet the needs and expectations of clients
- Material and relevant to investment decisions
- Central to a 'transition thesis' that aims to drive beneficial investment and societal outcomes
- Is likely to have a positive effect on society and the environment
- Has the potential to impact corporate ESG or financial performance or reduce risk
- Raises best practice standards within a sector or market
- Adds value in advancing thought leadership and good governance.

Types of engagement

Reactive engagement:

- Addressing news events or specific time-sensitive issues impacting one or multiple companies.

For reactive engagements, we typically 'engage for information' but may also make specific requests for companies to change practices or behaviours. Our proactive and thematic engagements focus on delivering change or driving real-world positive impacts. We call this 'engaging for change'.

Proactive engagement:

- Engaging with an individual company based on specific risks and opportunities we have identified to address an ESG issues, or using our engagement themes to address systemic risks and opportunities with multiple companies on one or more topics.

When responding to specific market or company events, the extent of reactive engagement depends on the size and nature of any principal adverse impacts (PAIs), the severity of our concerns, the level of importance to our clients and the size of our holding.

Engagement themes

We select engagement themes that address ESG risks and our investments' PAIs on the environment and society. They span various ESG risks, issues and indicators and align with our investments and client interests.

Monitoring and engagement: We report PAI performance and monitor other ESG issues across our investments, such as carbon emissions. When serious issues affect our customers' long-term interests, we engage with companies to drive improvements.

Reporting and transparency: We detail our actions to address PAIs and ESG risks, along with the outcomes achieved, in our annual Stewardship and Responsible Investment Report, TCFD Report, PAI Statement and other periodic reporting.

Reviewing and adapting: We review our engagement themes every two years to stay aligned with evolving ESG risks and opportunities. To select our themes, we consult with fund managers, responsible investment analysts, clients and other stakeholders and assess portfolio exposures. We also incorporate academic research on emerging ESG risks. Our objectives are to:

- **Identify priority themes:** We aim to pinpoint engagement themes most relevant to our clients and material holdings
- **Address ESG practices:** We ensure our themes confront any poor climate and ESG practices within our holdings
- **Align with our Purpose and values:** We prioritise themes that resonate with our Purpose, culture and values.

Escalation

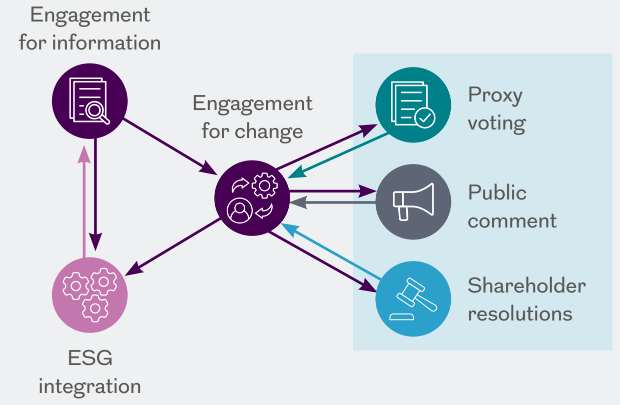
Our escalation approach is critical to our engagement strategy across equities and credit. We take action when companies are unresponsive to engagement or fail to address material risks yet have significant, persistent or intractable ESG issues. Such companies may pose a risk to our clients' assets:

- **Internal escalation:** We first escalate issues to the Head of Desk, the Chief Investment Officer 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



Integration with ESG strategy

Whether successful or not, the outcomes of our engagements are integral to our investment process and ESG integration strategy.

Investor collaboration

We prioritise direct communication with companies but we may chose to collaborate with other shareholders or bondholders to influence a company's behaviour. We consider our collaborations case-by-case, ensuring compliance with relevant regulations such as market abuse and competition law.

We favour collaborative engagement under specific circumstances:

- **Unresponsive companies:** When a company has not responded to private engagement, or its actions are insufficient to address our concerns.
- **Serious situations:** If the issue is grave enough to warrant a collective approach.
- **Enhanced access and influence:** Partnering with larger shareholders or bondholders can provide better access to management or the board and amplify our influence.
- **Local advantage:** In jurisdictions where local partners can augment our engagement through their physical presence and understanding of local practices.

Refer to page 17 for further information on our approach to advocacy, and the Stewardship and responsible investment section from page 26 onwards for examples of our collaborative engagements this year.

Regular company meetings and record-keeping

Our ESG engagement meeting records include the meeting's objectives, attendees, minutes, issues discussed and key outcomes. These records track company progress in addressing ESG issues and inform our investment teams and clients about ongoing engagements.

Investment team engagement: Our investment teams often maintain regular contact with investee companies, sometimes interacting multiple times a year to cover strategy, financial and non-financial performance, risk profile, capital structure, ESG considerations and other material factors. Each investment team documents these financial meetings, providing a record of all engagements.

Voting

We proactively exercise our voting rights across our equity and fixed income holdings to maximise our influence and safeguard client interests.

On our website:

- Voting guidelines
- Voting records

Our voting guidelines

Our proxy voting guidelines, available on our website, are reviewed and updated annually and reflect our commitment to transparency and responsible stewardship. Corporate governance is central to creating and protecting shareholder value, and we believe it is our responsibility to act as owners of the companies in which we invest.

Royal London takes a robust and bespoke approach to voting. Our Responsible Investment team, comprised of sustainability and ESG specialists and subject matter experts, coordinates our efforts. It works closely with investment teams to help analyse key issues, integrate ESG factors into investment processes, consult on voting, and collaborate to encourage companies to improve performance. Our fund managers can question or challenge all final voting decisions before they are dispatched.

The managers of Royal London Asset Management's fixed income funds also vote on issues that affect bond holdings, exercising these rights in the best interests of our clients and instructing our custodian to vote on our behalf. Royal London Asset Management does not typically use a proxy voting service to execute bondholder votes.

The role of our Responsible Investment team

Our Responsible Investment team manages the voting process in collaboration with our investment teams, and we are committed to thorough, informed and independent voting.

Avoids bias: The Responsible Investment team's involvement in voting helps avoid bias, ensuring we adhere to our voting guidelines while considering each company's specific context.

Standard operating procedures: We follow detailed standard operating procedures, driving accuracy and consistency in our voting process. We review all voting activity monthly, ensuring timeliness and accuracy.

Client alignment: We listen to clients, consider the wider market context, and apply best practices so we can vote in the interests of our clients.

Unified voting approach

Consistency: We vote all funds in the same way to provide clear and consistent messages to companies. However, we can also accommodate client-directed votes where required.

Collaboration for best outcomes: Our collaborative approach ensures a consistent message for our investee companies. This enhances our ability to engage with companies and ask for governance improvements.

Inviting dialogue: We communicate our voting rationale to companies in actively managed funds, especially when *abstaining* or opposing management. This fosters dialogue and addresses governance concerns. This year, we sent 169 letters to companies explaining our voting rationale and inviting dialogue.

Controls for accuracy: We have established controls to ensure votes align with our voting guidelines and are submitted promptly. We investigate and address any late submissions.

Detailed internal discussions

Ensuring views are reflected: Internal discussions help us reflect the views of our fund managers, Responsible Investment team, subject matter experts and clients in our voting decisions.

Time for debate on controversial votes: We highlight contentious votes, allowing time for discussion with investment teams. This category includes new companies or issues, high-profile issues, media-covered topics or situations of concern.

Visibility and engagement for our fund managers: Before making a final decision, we circulate our voting recommendations to the investment teams, fostering transparency and inviting further challenge and debate. This approach does not apply to quantitative equity tilt funds.

Resolving differences: We resolve differing opinions through discussion. We escalate unresolved matters or votes that may have reputational impacts on our business to our Head of Equities or our Chief Investment Officer as appropriate.

Key topics

Remuneration: As highlighted on page 22, we vote *against* a significant number of management resolutions to approve executive pay. Our voting guidelines set high expectations for performance-based incentives, vesting periods, exceptional awards and disclosures. You can read more details in our voting guidelines.

Shareholder resolutions: We also vote in favour of many non-binding resolutions on climate and other matters proposed by shareholders. We support shareholder resolutions when we believe they are in the best interests of all stakeholders. We generally support resolutions that call for more transparency and oppose those we feel are immaterial or onerous. Page 22 of our voting guidelines provides more detail.

Voting challenges

Despite our commitment to voting on all eligible shares, certain situations may prevent us from doing so. For example:

Shareblocking: In markets where shareblocking applies, companies restrict trading from the voting date until the day after the AGM. We may opt not to vote in these scenarios to retain trading flexibility.

Requiring local Power of Attorney: This persists in specific markets, including parts of Scandinavia, Eastern Europe, North Africa, South America, and occasionally in Belgium, Austria, Portugal and Switzerland. In such cases, voting may not be feasible.

Glass Lewis Viewpoint

The Glass Lewis Viewpoint platform receives votes from our custodians or clients' custodians, applies our custom voting template, and awaits final approval from our Responsible Investment team. While we use Glass Lewis and IVIS for voting information and to highlight controversial items, we do not rely on external voting recommendations. Instead, we apply our custom voting guidelines, internal research, investment perspectives and review process.

Detailed review and submission: The Responsible Investment team reviews and submits every vote, ensuring our decisions align with our guidelines.

Annual service review and ad hoc meetings with Glass Lewis: We discuss emerging issues, service levels and improving our engagement and voting process.

Enhanced communication: We send voting engagement letters to companies where we vote *against* management, including the rationale for our position. Glass Lewis does this on our behalf following the submission of a vote.

Vote rejections investigated in 2024

Although we did not submit any votes incorrectly, there were several vote rejections. We investigated all instances and found the rationales satisfactory. For example:

- **Power of Attorney (POA) rejections:** Specific markets require POAs to be in place to be eligible to vote. These holdings are comparatively smaller, and completing the paperwork is not always feasible. Examples include Epiroc, Latour and Fastighets.
- **Late vote rejections:** External factors, including the late release of ballots, research data or last-minute changes to meeting agendas, can led to rejections like at Powszechna Bank Polski
- **Vote processing error:** Due to the complexities of the voting chain, votes can be rejected further along the chain for reasons outside our control. One instance was at Disney.

Client-directed voting

We strive to offer clients flexible voting options while ensuring an informed and prudent approach to corporate governance. Our goal is to maintain a consistent voting approach, ensuring our voice is heard with clarity and strength. Where possible, we incorporate client views in our voting guidelines to reflect their preferences in how we vote.

Flexibility for client preferences: Some clients prefer to exercise their own voting rights, so we offer flexibility and support to those wishing to voice their opinions through their assets.

Collaborative exploration: We engage in ongoing dialogues with clients and industry peers, exploring ways to integrate client perspectives in our voting.

Segregated accounts: Some segregated clients prefer handling their voting rights directly. We can support this by sharing our voting positions and rationales before or after a vote, allowing them to align with us or follow their own policy. While most segregated clients entrust us with their voting, some retain the power to override our recommendations.

Pooled funds: Some asset owners wish to vote independently or express their wishes regarding their share of pooled funds. We conducted a comprehensive review in 2021 and 2022 on the complexities of implementing split or client-directed voting, recognising the significant implications for our operations. We continue to monitor market trends and client demand and may revisit our current stance if clients begin to request split voting in pooled funds.

Stock lending

We lend stock across several of our equity and fixed income funds. We require our custodians to recall all stock positions before a vote to ensure we can exercise our full voting power at shareholder meetings. Our Investment Support team investigates issues related to stock lending or recalling. No stock lending issues impacted our voting activities in 2024.

Creditor control in bond holdings

Our significant exposure to secured and highly covenanted bonds makes us uniquely able to manage our bond holdings actively. This often grants us more influence and control, ensuring bond issuers consult us on key changes that affect our investment.

Creditor control: Our bond holdings often give us a level of control, requiring companies to put proposed changes to a bondholder vote.

Distinct from equity holders: Unlike equity holders, our right to vote does not extend to annual shareholder meetings. However, we do hold voting rights on issues impacting our credit holdings.

Extraordinary meetings: Votes on our credit holdings usually occur in extraordinary meetings where issuers ask us to approve specific changes affecting our investment.

Case-by-case approach: Given these meetings' unique nature and financial focus, we approach each situation individually and tailor our decisions to each proposal's specific circumstances.

Regulatory compliance

In our highly regulated environment, we must remain compliant with the laws and regulations in the markets where we operate, adapting to changes that may restrict our ability to do business. Our Compliance team monitors new regulatory activities and their impact on our operations. When we identify changes, we collaborate with our Regulatory Change team and impacted business units to adapt our business practices. These changes range from technical reporting requirements to updates in product, legal, marketing and disclosure standards.

Increasing emphasis on responsible investing regulations

The rising demand for ESG investing has led to significant regulatory attention, especially in Europe and the UK, with upcoming regulations in the UK. These regulations aim to increase transparency, enhance consumer protection and reduce mis-selling risks. However, we face challenges with the divergence of regulations across different jurisdictions, which have unique governance and labelling frameworks, definitions and taxonomies.

Implementing changes in 2024

In 2024, we proactively implemented changes to comply with new and existing ESG regulations. Selling products in the UK, Ireland, Norway, Sweden, Finland, Switzerland, Singapore and Germany makes us subject to both EU/EEA and UK regulations, including the EU Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy, UK Task Force on Climate-related Financial Disclosures (TCFD), UK Consumer Duty, and UK Sustainable Disclosure Regulation (SDR).

Integrating technology and collaborating with regulators

To comply with SFDR, TCFD and Consumer Duty requirements, we continue to enhance our technology solutions to meet disclosure requirements and integrate ESG indicators and climate metrics into our data and decision making. We have also continued to update our fund-level regulatory documentation. We have supported industry bodies and regulators, contributing to discussions like the UK's SDR through our membership of the Disclosures and Labels Advisory Group (DLAG).

Managing our business

Environmental responsibility in our operations

As responsible investors, we apply similar expectations to our operations that we expect from our investments. Through our parent company, Royal London Mutual Insurance Society Limited, we manage our operational climate risks by efficiently managing our offices and engaging with our value chain.

Our climate and environmental initiatives: Our focus at Royal London is on reducing our environmental impact and promoting sustainable practices.

- **Net zero target:** Aiming for net zero in our direct operational emissions by 2030 and in our value chain emissions by 2050, with a 50% reduction by 2030.
- **Reducing paper use:** Internal paper use to be cut by 90% and external paper to be cut by 50%.
- **Energy-efficient workplace:** Commit to purchasing 100% renewable energy for our operations by 2025. For more details about our operational commitments and our progress to date see our website.

Key updates over 2024

Our Scope 1 and 2 operational emissions decreased during 2024, reducing by 19% for location-based emissions and 79% for market-based emissions. In total, our location-based emissions have reduced by 68% and market-based by 93% since our 2019 baseline. Our overall energy consumption also reduced by 24% during 2024 as we improved energy efficiency across our offices. Our UK business represents 89% of our Scope 1 and 2 operational emissions and 98% of our energy consumption. In 2023, the figures were 96% and 98% respectively. The significant reduction in our market-based emissions is due to securing renewable energy across our operational estate, through purchasing of Renewable Energy Guarantees of Origin (REGO) certificates. To further our use of renewable energy, in late 2024, we commenced a project to install more than 200 solar panels at our Alderley Park office.

Our non-investment and value chain Scope 3 non-investment emissions have reduced by 4% since 2023, and by 47% since our 2019 baseline. The biggest contributors to our value chain emissions remain our supply chain, employee commuting and homeworking, and business travel. Throughout 2024, we engaged with suppliers on initiatives to reduce emissions.

We also sought input from suppliers on wider sustainability initiatives where relevant, for example inviting our technology suppliers to speak about AI and sustainability at our 2024 colleague Sustainability Summit. Our business travel emissions reduced by 11% in 2024, supported by company-wide limits on non-essential business travel during August and the setting of individual travel reduction pledges by senior leaders across the Group.

To raise colleague awareness and improve our data on homeworking and commuting patterns, we surveyed over 1,500 colleagues on their routines. We also launched a new colleague benefit to support carbon and cost savings at home, by providing advice on heating efficiency and home improvement assessments in collaboration with the energy consultancy platform Heat Scheme.

Responsible supplier management

Our commitment to ethical and responsible business extends to our procurement and third-party relationships. We adhere to a comprehensive Procurement and Third-Party Management Policy, ensuring rigorous oversight of our supplier interactions.

We conduct thorough due diligence during supplier selection, focusing on risks and their approaches to critical issues such as ethics and integrity, human rights, labour standards and modern slavery, diversity and inclusion, and environmental standards.

We also ask suppliers to agree to our Supplier Code of Conduct before entering contracts. This sets out how we would like to work with suppliers, enabling us to demonstrate transparency within our supply chain to our customers and members. We engage our suppliers on ethics and integrity, human rights, labour standards and modern slavery, environmental standards, and diversity and inclusion.

Advancing diversity and inclusion

We continue to drive forward our Diversity and Inclusion (D&I) positive action plan. We have strengthened our approach by having senior leadership team sponsors in each business area take ownership of local D&I action plans to support our central strategy.

Our colleague diversity disclosure rate remains high at 89% and helps shape our plans. We remain focused on our commitments under the HMT Women in Finance and Race at Work Charters. Our annual Gender Pay Gap Report provides an overview of our gaps and how we are working to reduce these. We are committed to increasing female representation, particularly in senior roles, which we believe will help to close our gender pay gaps.

We also continue to meet our commitments under our 'level 2' status as a Disability Confident employer, providing support and adjustments for candidates and colleagues with disabilities, long-term health conditions and neurodiversity. We are proud members of Inclusive Employers, Women in Banking Finance and Neurodiversity in Business, working in partnership to ensure Royal London and the wider industry benefit from best practice.

Our People Commitment calendar of inclusion activities and events is shaped by colleague feedback designed in collaboration with our colleague-led inclusion networks: DAWN (Disability AWareness Network including neurodiversity), our LGBTQ+ PRIDE network, REACH (Race, Ethnicity and Cultural Heritage) and our Women's Network. In 2024, we supported colleagues to attend Pride events in Edinburgh, Dublin and Manchester. We celebrated a range of inclusion events including International Men's and International Women's Day, World Mental Health Day, World Menopause Day and Black History Month. We also celebrated National Inclusion Week in September, which included an ally session for colleagues in collaboration with the Association of British Insurers (ABI) where we further extended our reciprocal mentoring programme.

We announced the third phase of our Career Confidence programme, focused on diverse talent, and also a new colleague community support group for parents and carers. Our volunteer Mental Health First Aiders have collaborated on a range of wellbeing events during this year focused on physical, mental and financial health.

We report our D&I progress through external publications:

- Annual Report and Accounts
- Gender Pay Gap annual reporting
- HMT Women in Finance annual reporting

Our four inclusion networks

Women's Network

Our Women's Network helps support career development for all colleagues, with the intention to encourage everyone in Royal London to inspire women to aim higher, learn more and achieve more.

REACH

The REACH (Race, Ethnicity and Cultural Heritage) network aims to provide a space for all ethnicities to connect, share experiences and take action in the promotion of race equality and diversity, with the explicit aim to educate, engage and empower.

PRIDE

In celebration of all our LGBT+ people and allies, we created a community to help recognise and empower our LGBT+ people, both inside and outside the workplace.

DAWN

DAWN (Disability AWareness Network, including neurodiversity) is our network which is focused on enabling disability confidence at Royal London.

Maintaining strong governance

Organisational structure: As a wholly owned indirect subsidiary of The Royal London Mutual Insurance Society (RLMIS) and part of the Royal London Group, Royal London Asset Management Limited has a dedicated board which comprises four independent non-executive directors, one non-executive director from Royal London and three executive directors. Our Board delegates specific responsibilities to the Royal London Asset Management Executive Committee (Exco).

Collaborative oversight: Regular meetings facilitate collaboration and oversight of different business units within the Royal London Group. These include our Group Executive Committee, Investment Strategy Committee and Group Sustainability Oversight Committee, which include senior executive members from Royal London Asset Management and other Group business units.

Regulatory compliance and senior management: The Financial Conduct Authority regulates our activities, including compliance with the Senior Managers Certification Regime. Our Chief Investment Officer, a regulated Senior Management Function, is accountable for our responsible investment function. He is a member of the Royal London Asset Management Exco and chairs – and is supported by – the Investment Committee that oversees investment issues.

Responsible investment oversight: Our Head of Responsible Investment is a member of the Investment Committee, contributing papers for discussion and regularly attending the Customer and Product Committee. Our Stewardship and Responsible Investment Report receives annual approval from the Board of Royal London Asset Management. Additionally, our proxy voting guidelines undergo annual review by the Royal London Asset Management Investment Committee.

Supporting our clients

The Royal London Mutual Insurance Society (RLMIS): RLMIS is our parent company and largest client. We manage approximately £116.5bn 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 Royal London's Annual Report and Accounts.

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 £25.8bn for approximately 264 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 approximately £29.5bn in 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 in Australia, Austria, France, Denmark, South Africa and Japan. 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.

Performance management and reward

Aligning with client interests: As a member-owned business, Royal London Group's focus extends beyond short-term gains to fostering long-term benefits for our members. This shapes our approach to remuneration for all our people, including fund managers and analysts, and links it closely to delivering better customer outcomes, investment performance and revenue generation. Our Business Scorecard incorporates a broad range of metrics to assess business performance.

Responsible investment and remuneration: Responsible investment is a cornerstone of our strategy. We monitor progress through our Business Scorecard, which we use to calculate the discretionary bonuses for all colleagues based on year-end results. We assess our team's performance on their achievements and how they align with Royal London values and contribute to good customer outcomes.

ESG integration in performance evaluation: We expect our investment professionals to continuously assess and document the impact of ESG factors on investment risk. Our remuneration approach is designed to motivate our team to achieve the best customer outcomes, balancing short- and long-term objectives with ESG considerations.

Enhancing ESG through training and collaboration

Our investment teams benefit from stewardship and responsible investment training that blends on-the-job training with formal sessions.

Learning by doing: Regular interactions between our investment teams and subject matter specialists provide insights to help identify and address ESG issues. These include practical guidance on questioning company management and spotting potential ESG risks. Additionally, we routinely conduct ESG portfolio reviews to discuss specific risks or opportunities so investment teams can consider their financial implications.

Workshops and specialised training: We provide workshops and training sessions with our specialist research providers, complemented by internal training from our Responsible Investment team.

Strengthening risk management

Risk management framework: This framework provides clear organisational accountability from the Board to committees, functions and individuals, including policies and procedures. The Royal London Asset Management Holdings Board delegates oversight of this framework to the Risk and Capital Committee, ensuring effective risk and capital management.

Holistic risk management system: We leverage the Royal London Group Risk Management System (RMS) to manage risks within our defined risk appetite. This enables identification, measurement, management, monitoring and reporting of our risks. Effective management of our risks is supported through risk control self-assessments and risk event reporting.

Independent investment risk monitoring: The Investment Risk team independently monitors portfolio risk exposures. Portfolio managers are responsible for responding to market events, including portfolio allocation and strategy adjustments to align with risk tolerance levels and investment objectives.

Evolving ESG risk management: Recognising the dynamic nature of responsible investing, we continuously refine our approach to ESG risk management. In 2024, we enhanced our strategic and investment ESG risk management:

- Engaged in our Emerging Risks Forum to review new ESG risks
- Published our third TCFD report detailing our approach to climate risk management
- Enhanced data and technology systems for better access to ESG data and analysis
- Improved controls and verification processes for ESG information in client and regulatory reporting
- Collaborated with external specialists to review our responsible investment operating model, ensuring alignment with market ESG best practices.

Proactive monitoring and emerging risks: Emerging and strategic risks have been reviewed during 2024 by the RLAM Business Risk Committee, which is comprised of RLAM executives. Outputs are also shared with the RLAM Holdings Risk and Capital Committee. Themes monitored and reviewed include:

- **Climate risk:** Monitoring and managing climate risk remains an ongoing priority. We aim to mitigate our exposure to climate-change-related financial, strategic, reputational, regulatory and commercial risks by embedding them into our risk management system, creating a climate transition plan and agreeing and monitoring key metrics. More details can be found in our Climate Risk Policy and Climate (TCFD) Report.
- **International regulatory divergence:** Regulatory divergence, including those covering ESG aspects, remains challenging. ESG regulations vary by jurisdiction, even within the EU, where each country takes a different approach and has additional reporting and marketing requirements. We continue to monitor developments through our legal and regulatory horizon scanning and working with regulators and industry bodies to help shape responsible investment regulation for the benefit of consumers.
- **AI:** Data is a valuable asset. It can help identify opportunities to outperform the market, find client prospects and support responsible investment. Open-source AI systems, which can process information expediently, write content and hunt for opportunities, have the potential to challenge existing norms and operating models. As such, we continue developing and evolving our technology while monitoring new data sources and innovations that could benefit our business and clients.

Personalisation, customisation and transparency: There is increasing demand for more personalisation and customisation, particularly in relation to responsible investment considerations, including climate criteria. There is also growing demand for individual, separately managed accounts and more tailored and customised solutions. There are increased client expectations for greater depth and transparency in asset managers' reporting, which we are committed to continue delivering through planned projects. The advent of new technologies that support customisation and operational simplicity at scale may erode efficiencies and cost benefits. Therefore, we continue to monitor developments and evaluate opportunities.

Customer outcomes: We define customer outcomes risk as any action that is detrimental to clients or adversely affects market stability or effective competition. Delivery of good outcomes to our customers is core to the values and spirit of Royal London. To mitigate customer outcomes risk, we review our proposition and distribution channels regularly to make sure investors can achieve their financial objectives. Product literature and marketing materials are reviewed to ensure these are communicated clearly and suitably to the target audience. We continuously monitor our third-party providers and how they address client needs through their services and technology. We track regulatory change and align our frameworks accordingly. As part of the Consumer Duty and SDR implementation, we further evolved our processes and controls to continue addressing the needs of our customers. The RLAM Board receives an annual report on customer outcomes and uses this as part of its independent assessment.

Proactively managing conflicts of interest

We are dedicated to maintaining the highest standards of professionalism, integrity and governance in our business and meeting our customers' needs. This is underpinned by our Conflict of Interest Policy, which all colleagues must understand and follow.

Oversight and responsibility: Our Board oversees the management of any conflicts of interest, ensuring our systems, controls and procedures can identify, manage and monitor conflicts adequately. Senior management is responsible for raising colleague awareness and ensuring they adhere to 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 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.

Proactive conflict management: We take all reasonable steps to identify and manage conflicts and to 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: We aim for detailed client disclosure where conflicts are unavoidable, allowing them to accept the conflict or terminate the activity. Our disclosure to clients includes the nature and sources of the conflict.

Policy review and accessibility: The Risk and Compliance team regularly updates the policy and our Conflicts of Interest Disclosure Statement is available on our website.

No conflicts of interest: In 2024, we encountered no new material conflicts requiring disclosure.

Handling inside information

Avoiding insider status: We aim to avoid companies classifying us as insiders, which limits our ability to trade. However, there are instances where we choose to receive inside information to enhance our discussions with company management or boards.

Procedure for managing inside information: When we opt to receive inside information, we immediately add the involved company to our Restricted Stock List. We apply this to our trading systems, preventing all fund managers from trading the security. We lift the restriction only after the information becomes public, with approval from a member of our Exco.

Involuntary insider situations: We may become insiders involuntarily or inadvertently during company interactions. If we feel information we have received is not publicly available, our Market Conduct Policy dictates that we add the company to our Restricted Stock List.

Training and compliance support: Our colleagues receive training and support from our Compliance Advisory and Legal teams to identify and understand the nature of inside information. In ambiguous cases, we exercise caution and add the company to the Restricted Stock List to maintain the integrity of our trading practices.

Disclosure and transparency

Our stewardship and responsible investment approach is open and transparent. Our regular disclosures include our Principles for Responsible Investment (PRI) Assessment results and voting and engagement activities, shared through this report, our annual Climate Report (TCFD), blog posts, articles, webinars and press comments.

Online access to our policies and voting decisions

Our Investment Committee regularly reviews our key policies, such as the Responsible Investment Policy published on our website. Additionally, we maintain a detailed online database that discloses our proxy votes and voting decisions.

Client engagement and reporting

Our clients receive regular reports detailing our responsible investment and stewardship activities where relevant. We also produce enhanced ESG factsheets for some funds, which include voting and engagement data and detailed climate emissions information. Since June 2023, we have provided fund-level TCFD disclosures for UK-registered funds. We actively engage with clients on ESG trends and are always ready to address specific queries regarding our stewardship and responsible investment activities.

Corporate policies

We have policies and/or procedures in place regarding:

- Proxy voting
- ESG integration
- Engagement
- Controversial weapons
- Conflicts of interest
- Personal account dealing
- Execution and allocation
- Gifts and benefits.

Our Risk and Compliance team maintains our compliance policies, which are reviewed periodically by Compliance and Internal Audit.

Continuous improvement

We are committed to enhancing the scope, depth and quality of our stewardship and responsible investment activities.
This commitment extends to investing in personnel, training, and our ESG tools and analysis.

Review and approval of this report

The Royal London Asset Management Investment Committee, Executive Committee and Board reviewed and approved this Stewardship and Responsible Investment Report as a fair and balanced reflection of our stewardship and responsible investment approach. The Board has also considered the effectiveness of our stewardship activities and areas of improvement.

Appendix 1

Record of company engagement 2024

A.G. Barr PLC
A2A S.p.A
AA LTD
ABB LTD
Abbott Laboratories
AbbVie Inc
Accenture PLC
Admiral Group PLC
Adobe Inc
Advanced Micro Devices Inc
Aernnova Aerospace SA
AGCO Corporation
Agilent Technologies Inc
Agricultural Bank of China LTD
AIA Group LTD
AJ Bell PLC
Aker BP ASA
AkzoNobel NV
Albion JVCO LTD
Alibaba Group Holdings LTD
Allied Universal Topco LLC
Alphabet Inc
Amazon.com Inc
American Express Company
Amgen Inc
Andritz AG
Anglican Water Group LTD
Anglo American PLC
Anheuser Busch Inbev SA
Antofagasta PLC
Apleona Group GMBH
Apple Inc
Applus Services SA
Arcelik AS
Argenx SE
Arkema SA
Ascential LTD
Ashtead Group PLC
ASM International NV
ASML Holding NV
Assa Abloy AB
Assemblin Caverion Group AB
Associated British Foods PLC
Aston Martin Lagonda Global Holdings PLC
Astrazeneca PLC
AT&T Inc
Atlas Copco AB
Auction Technology Group PLC
Avia Solutions Group (ASG) PLC
Aviva PLC
Avon Technologies PLC
B&M European Value Retail SA
Babcock International Group PLC
BAE Systems PLC
Balfour Beatty PLC
Banco Santander SA
Bank of America Corp
Bank of China LTD
Bank Rakyat Indonesia (Persero) TBK PT
Barclays PLC
Barry Callebaut AG
Bellway PLC
Berkshire Hathaway Inc
BHP Group LTD
Bloomsbury Publishing PLC
BNP Paribas SA
Bodycote PLC
Boeing Co
Boku Inc
BP PLC
Brenntag SE
Bristol-Myers Squibb Co
British American Tobacco PLC
British Land Company PLC
Broadcom Inc
Brooks Macdonald Group PLC
BT Group PLC
Bucher Industries AG
Bunzl PLC
Cadent Finance PLC
Capitaland Integrated Commercial Trust
Carlsberg A/S
Carnival Corp
Carnival PLC
Caterpillar Inc
Centrica PLC
Cerillion PLC
Charles Schwab Corporation (THE)
Chelmer Housing Partnership LTD
Chemring Group PLC
Chevron Corp

Appendices *continued*

Record of company engagement 2024

China Construction Bank Corp
China Life Insurance Co LTD
China Longyuan Power Group Corp
China Merchants Bank Co LTD
China National Building Material Co LTD
Chocoladefabriken Lindt & Spruengli AG
Cisco Systems Inc
Close Brothers Group PLC
CLP Holdings LTD
Coats Group PLC
Coca-Cola Co
Coca-Cola HBC AG
Comcast Corporation
Commonwealth Bank of Australia
Compania di Mina Buenaventura SAA
Compass Group PLC
Computacenter PLC
Conocophillips
Convatec Group PLC
Copart Inc
Core & Main Inc
Costco Wholesale Corporation
Coventry Building Society
Covestro AG
Craneware PLC
Credit Agricole Group
CRH PLC
Croda International PLC
Currys PLC
CVS Health Corp
Danaher Corporation
DCC PLC
Deerie & Co
Delta Airlines Inc
Deutsche Lufthansa AG
Deutsche Post AG
Diageo PLC
Diploma PLC
Direct Line Insurance Group PLC
Dollar General Corporation
Doosan Bobcat Inc
Dowlias Group PLC
Drax Group PLC
DS Smith PLC
DSV A/S
Dunelm Group PLC
E.ON SE
Easy Jet PLC
Ecopetrol SA
Edge Finco PLC
EDP SA
Electricite de France SA
Eli Lilly and Company
Elia Group SA
Emrld Borrower LP
EMS-Chemie Holding AG
Endeavour Mining PLC
Endesa SA
Entain PLC
Equinor ASA
Eskmuir Properties LTD
Essilorluxottica SA
Evonik Industries AG
Experian PLC
Exxon Mobil Corp
Ferguson (Jersey) LTD
Ferguson Enterprises Inc
Ferrari NV
Ferrexpo PLC
Fertiberia Corporate SL
First Abu Dhabi Bank PJSC
Firstgroup PLC
Flutter Entertainment PLC
Focusrite PLC
Frasers Group PLC
Fresenius SE & CO. KGaA
Galp Energia SGPS SA
Geberit AG
General Electric Co
General Motors Co
Genmab A/S
Genus PLC
GFL Environmental Inc
Givaudan SA
Glas Cymru Holdings Cyfyngedig
Glencore PLC
Goldman Sachs Group Inc/The
Grafton Group PLC
Grainger PLC
Great Portland Estates PLC
Greggs PLC
Grosvenor UK Finance PLC
GSK PLC

Appendices *continued*

Record of company engagement 2024

Haci Omer Sabanci Holdings AS
Haleon PLC
Harbour Energy PLC
Hays PLC
HDF (UK) Holdings LTD
HDFC Bank LTD
Heathrow Funding LTD
Heineken NV
Hera Financing DAC HRFIN_24-1
Hera Spa
Hermes International SCA
Hikma Pharmaceuticals PLC
Hindalco Industries LTD
Hollywood Bowl Group PLC
Hologic Inc
Home Depot Inc
Honeywell International Inc (Delaware)
Hostelworld Group PLC
Howden Joinery Group PLC
HSBC Holdings PLC
Husky Injection Molding Systems LTD
Iberdrola SA
Ibstock PLC
Idemitsu Kosan Co LTD
IMCD NV
IMI PLC
Imperial Brands PLC
Inchcape PLC
Industria de Diseno Textil SA
Industrial and Commercial Bank of China LTD
Infineon Technologies AG
Informa PLC
Inspecs Group PLC
Integrafin Holdings PLC
Intel Corporation
Intercontinental Hotels Group PLC
International Business Machines Corp
International Consolidated Airlines Group SA
International Container Terminal Services INC
International Distribution Services PLC
Intertek Group PLC
Intuit Inc
Invesco Perpetual UK Smaller Companies Investment Trust PLC
Investec PLC
IP Group PLC
J D Wetherspoon PLC
J Sainsbury PLC
Jaguar Land Rover Automotive PLC
James Fischer and Sons PLC
JD Sports Fashion PLC
John Wood Group PLC
Johnson & Johnson
Johnson Controls International PLC
Johnson Matthey PLC
JPMorgan Chase & Co
JSW Steel LTD
Kansai Electric Power Co Inc/The
Keller Group PLC
Kemble Water Holdings LTD
Kerry Group PLC
Keyence Corp
Keir Group PLC
Kinder Morgan Inc
Kingfisher PLC
Kingspan Group PLC
Kitwave Group PLC
Knorr-Bremse AG
Kobe Steels LTD
Koc Holdings AS
Koninklijke Ahold Delhaize NV
Kosmos Energy LTD
Landesbank Hessen Thueringen Girozentrale
Legal & General Group PLC
Lloyds Banking Group PLC
London Stock Exchange Group PLC
L'Oreal SA
Luxembourg Investment Co 261 SARL
LVMH Moet Hennessy Louis Vuitton SE
Manitowoc Company Inc (The)
Marks and Spencer Group PLC
Marshalls PLC
Mastercard Inc
ME Group International PLC
Medtronic Global Holdings SCA
Medtronic PLC
MEG Energy Corp
Meituan
Melrose Industries PLC
Mercadolibre Inc
Merck & Co Inc
Meta Platforms Inc
Metlen Energy & Metals AE

Appendices *continued*

Record of company engagement 2024

Metropolitan Housing Trust LTD
Microsoft Corporation
Mitchells & Butlers PLC
Mitie Group PLC
Mitsubishi Chemical Group Corp
Mitusi Chemicals Inc
Moat Homes LTD
Mobico Group PLC
Mondi PLC
Morgan Stanley
Motability Operations Group PLC
Mowi ASA
National Australia Bank LTD
National Grid PLC
Natwest Group PLC
Neoen SA
Neste OYJ
Nestle SA
Newriver Reit PLC
Next PLC
Nike Inc
Ninety One PLC
Nordson Corporation
Norsk Hydro ASA
Northumbrian Water Group LTD
Notting Hill Genesis
Novartis AG
Novo Nordisk A/S
Nvidia Corporation
NXP Semiconductors NV
Ocado Group PLC
Occidental Petroleum Corporation
O-I Glass Inc
Old Dominion Freight Line Inc
Oracle Corporation
Orbia Advance Corporation SAB DE CV
Orkla ASA
Orlen SA
Orsted A/S
Paganini Bidco SpA
Paragon Banking Group PLC
Parkland Crop
Paypal Holdings Inc
Pearson PLC
Pennon Group PLC
Pepsico Inc
Pernod-Ricard SA
Pfizer Inc
Philip Morris International Inc
Phillips 66
Pirelli & C SpA
Power Assets Holdings LTD
Power Grid Corporation of India LTD
Press Metal Aluminium Holdings BHD
Proctor & Gamble Co
Progroup AG
Prologis Inc
Prudential PLC
Prysmian Spa
Qualcomm Incorporated
Raizen SA
Range Resources Corporation
Reckitt Benckiser Group PLC
Redeia Corporation SA
Reliance Inc
Reliance Industries LTD
Relx PLC
Renew Holdings PLC
Rentokil Initial PLC
Ricardo PLC
Rio Tinto PLC
Roche Holdings AG
Rolls-Royce Holdings PLC
Royal Bank of Canada
RS Group PLC
RTX Corp
RWE AG
RWS Holdings PLC
S&P Global Inc
Safestore Holdings PLC
Safran SA
Sage Group PLC
Salesforce Inc
Sandvik AB
Sanofi SA
SAP SE
Saudi Arabian Oil Co
Savills PLC
Schneider Electric SE
Scih Salt Holdings Inc
Serco Group PLC
Sercia Energy PLC
Servicenow Inc

Appendices *continued*

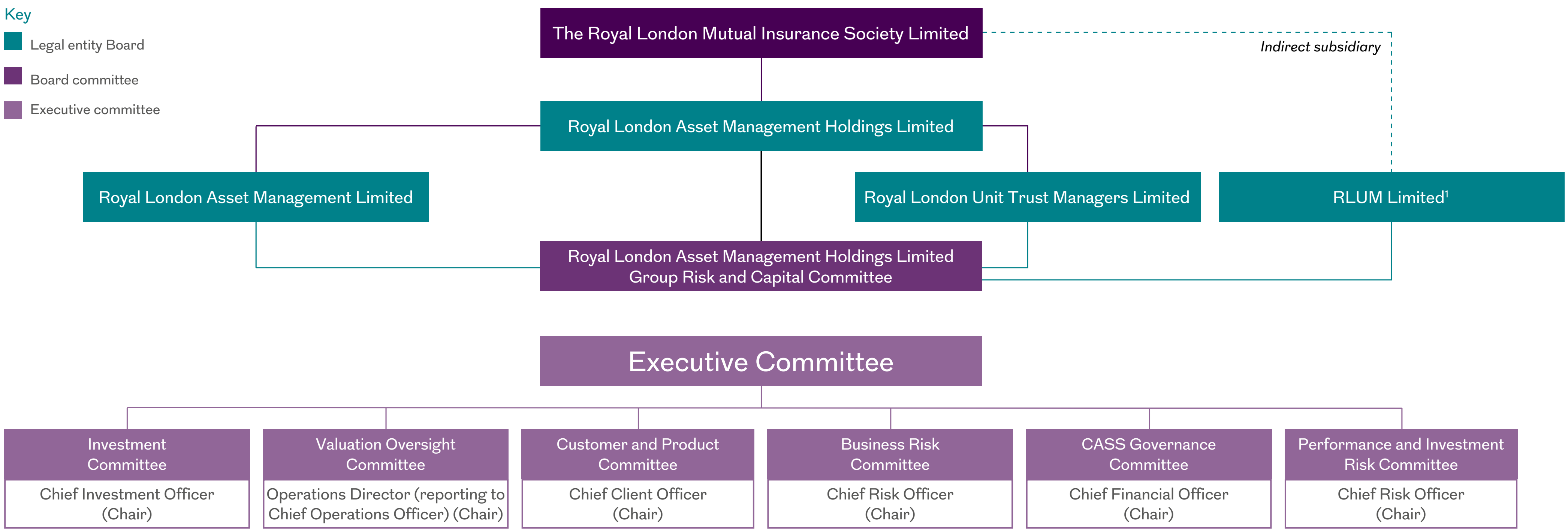
Record of company engagement 2024

Severn Trent PLC
Shea Homes Limited Partnership A California LP
Shell PLC
Shimano Inc
Shin-Etsu Chemical Co LTD
Sibanye Stillwater LTD
Siemens AG
Sika AG
Smith & Nephew PLC
Smiths Group PLC
Smurfit Kappa Group PLC
Snam SpA
Societe Generale SA
Sofima Societa Finanziaria Macchine Automatiche SpA
Softcat PLC
Sony Group Corp
Southern Water Capital LTD
Sovereign Housing Association LTD
Spirax Group PLC
Spire Healthcare Group PLC
Spirent Communications PLC
SSE PLC
SSP Group PLC
Standard Chartered PLC
Steel Dynamics Inc
Steris PLC
STMicroelectronics NV
Sumitomo Metal Mining Co LTD
Sumitomo Mitsui Financial Group Inc
Suncor Energy Inc
Sunoco LP
Swisscom AG
Sylvamo Corp
Symrise AG
Taiwan Semiconductor Manufacturing Co LTD
Talos Energy Inc
Tata Consultancy Services LTD
Tata Power Company LTD
Tate & Lyle PLC
Tatton Asset Management PLC
Tencent Holdings LTD
Terna Rete Elettrica Nazionale SpA
Tesco PLC
Thermo Fisher Scientific Inc
Thort Industries Inc
TI Fluid Systems PLC
TIC Bidco LTD
T-Mobile US Inc
Topbuild Corp
Toronto-ominion Bank/The
Totalenergies SE
Toyota Motor Corporation
Tracsis PLC
Travis Perkins PLC
Treatt PLC
Trinseo PLC
Turkiye Sise ve Cam Fabrikalari AS
Tyson Foods Inc
Unilever PLC
Union Pacific Corporation
Unite Group PLC
United Utilities Group PLC
Unitedhealth Group Inc
UPM-Kymmene Oyj
Valero Energy Corporation
Vattenfall AB
Veolia Environmental SA
Verbund AG
Vermillon Energy Inc
Vesuvius PLC
Victrex PLC
Videndum PLC
Vinci SA
Visa Inc
Vistry Group PLC
Vodafone Group PLC
Volkswagen AG
Volvo AB
Vonovia SE
Walmart Inc
Walt Disney Co
Watco HO
Weir Group PLC
Wells Fargo & Company
Wessex Water LTD
Westinghouse Air Brake Technologies Corp
WH Smith PLC
Whitbread PLC
Wilmington PLC
Wisetech Global LTD
WM Housing Group LTD
Wolters Kluwer NV
Workspace Group PLC
XPS Pensions Group PLC
Yorkshire Water Services Holdings LTD

Appendices *continued*

Appendix 2

Royal London Asset Management Board and committee structure



[1]From April 2024, the oversight of RLUM Limited moved to RLAM

Appendices *continued*

Appendix 3

The UK Stewardship Code

Purpose and governance	Page reference	
Purpose, strategy and culture	Foreword – Hans Georgeson	5
	Overview	1
	Managing our business	112
Governance, resources and incentives	Further reading	108
	Research	13
	Investment actions	57
	Maintaining strong governance	113
	Performance management and reward	114
	Enhancing ESG through training and collaboration	114
Conflicts of interest	Proactively managing conflicts of interest	115
Promoting well-functioning markets	Advocacy	17
	Investment actions	57
	Investor collaboration	110
	Regulatory compliance	112
	Disclosure and transparency	116
Review and assurance	Strengthening risk management	114
	Review and approval of this report	116

Investment approach	Page reference	
Client and beneficiary needs	Our approach	9
	Supporting our clients	113
Stewardship, investment and ESG integration	Stewardship & responsible investment	20
	Engagement	11
	ESG research	13
	Voting	15
	Investment actions	57
Monitoring managers and service providers	Glass Lewis' viewpoint	111
	Strengthening risk management	114
Engagement	**Page reference**	
Engagement	Engagement	11
	Further reading: Engagement	109
Collaboration	Investor collaboration	110
Escalation	Escalation	109
Exercising rights and responsibilities	**Page reference**	
Exercising rights and responsibilities	Voting	15
	Further reading: Voting	110

Appendices *continued*

Appendix 4

Australia FSC Standard 23 – Principles of Internal Governance and Asset Stewardship

1. Organisation and investment approach	Overview	1
	Stewardship & responsible investment	20
	Investment actions	57
	Performance management and reward	114
	Enhancing ESG through training and collaboration	114
	Appendix 2: Ownership and structure	122
2. Internal governance	Further reading: Engagement	109
	Further reading: Voting	110
	Strengthening risk management	114
	Review and approval of this report	116
	Proactively managing conflicts of interest	115
	Maintaining strong governance	113
3. Asset stewardship	Stewardship & responsible investment	20
	Engagement	11
	ESG research	13
	Voting	15
	Investment actions	57
	Further reading: Engagement	109
	Further reading: Voting	110

Appendices *continued*

Appendix 5

Japan Stewardship Code

Principle	Page reference	
1. Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it	Further reading: Engagement	109
	Further reading: Voting	110
	Responsible Investment and Stewardship Statement	130
2. Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities	Proactively managing conflicts of interest	115
3. Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities	Stewardship & responsible investment	20
	Engagement	11
	Recearch	13
	Voting	15
	Investment actions	57
4. Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies	Engagement	11
	Further reading: Engagement	109
5. Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist: it should be designed to contribute to sustainable growth of investee companies	Voting	15
	Further reading: Voting	110
	Voting guidelines	130

Principle	Page reference	
6. Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries	Further reading: Engagement	109
	Further reading: Voting	110
	Supporting our clients	113
	Disclosure and transparency	116
7. To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies	Stewardship & responsible investment	20
	Research	13
	Investment actions	57
	Enhancing ESG through training and collaboration	114

Appendices *continued*

Appendix 6

The UN Principles for Responsible Investment (PRI)

Principle	Page reference	
1. We will incorporate ESG issues into investment analysis and decision-making processes	Overview	1
	Investment actions	57
2. We will be active owners and incorporate ESG issues into our ownership policies and practices	Stewardship & responsible investment	20
	Investment actions	57
	ESG research	13
	Voting	15
	Maintaining strong governance	113
	Supporting our clients	113
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest	Engagement	11
	Further reading: Engagement	109
4. We will promote acceptance and implementation of the Principles within the investment industry	Stewardship & responsible investment	20
	Further reading: Engagement	109
	Advocacy	17
5. We will work together to enhance our effectiveness in implementing the Principles	Stewardship & responsible investment	20
	Investor collaboration	110
6. We will each report on our activities and progress towards implementing the Principles	Disclosure and transparency	116

UN PRI Summary Scorecard 2023

Module	Royal London Asset Management star rating	Median star rating of all reporting signatories	Royal London Asset Management score	Median score of customised peer group*
Policy, governance and strategy	★★★★☆	3	90	82
Direct – Listed equity – Passive quantitative	★★★★★	3	96	69
Direct – Listed equity – Active quantitative	★★★★★	3	92	88
Direct – Listed equity – Active fundamental	★★★★★	4	92	82
Direct – Real estate	★★★★★	3	96	64
Direct – Fixed income – SSA	★★★★☆	3	66	74
Direct – Fixed income – Corporate	★★★★☆	4	86	80
Direct – Fixed income – Securitised	★★★★☆	3	88	72
Confidence building measures	★★★★☆	4	80	80

Source: UN Principles for Responsible Investment

Appendices *continued*

Appendix 7

Board structure and governance

The Royal London Asset Management Board (the Board) is responsible for setting and overseeing the company's strategic direction and ensuring it operates in the best interests of its clients. The Board comprises eight members, including four independent non-executive directors and four executive directors from Royal London Asset Management and Royal London Mutual Insurance Society. The Board is chaired by an independent non-executive director.

Name	Nationality	Tenure
■ Pars Purewal – Board Chair	British	2 years
■ Dagmar Kershaw	British	under 1 year
■ Chris Morson	British	4 years
■ Nicholas Ring	British	under 1 year
■ Hans Georgeson – CEO	British	3 years
■ Piers Hillier – CIO	British	9 years
■ Andrew Hunt – CFO	British	7 years
■ Ewan Smith – CEO Office Director	British	9 years

Key

Company classification:

■ Independent non-executive director

■ Non Independent director

Glossary

Annual General Meeting (AGM)	A yearly meeting between shareholders and the directors of the company, where shareholders have the opportunity to attend, ask questions and vote either in person or electronically on the items presented.
Asset manager	A financial institution that is responsible for managing financial investments on behalf of asset owners.
Asset owner	An institution (or individual) that owns assets but entrusts day-to-day investment decisions to asset managers, typically supported by detailed mandates and policies.
Assets under management (AUM)	The total of internal assets managed by Royal London Asset Management on behalf of the Royal London Group and external clients.
Carbon equivalent emissions (CO_2e)	The release of greenhouse gases (GHGs) into the atmosphere using the universal unit of measurement to indicate the global warming potential (GWP) of each of the seven greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide (Source: GHG Protocol.)
Carbon footprint	The emissions intensity of an investment portfolio, expressed in tCO_2e/$m invested. Financed emissions is divided by the portfolio value. The resulting indicator measures absolute emissions generated for each dollar invested in the fund.
Climate physical risk	Risks directly or indirectly related to the physical impacts of climate change.
Climate transition risk	Risks related to market adjustments resulting from the transition to a low-carbon economy.
Climate Transition Plan	A transition plan is integral to an entity's overall strategy, setting out its plan to contribute to and prepare for a rapid global transition towards a low GHG-emissions economy in a manner that is consistent with its constitutional documents and the duties of its directors and senior managers. (Source: Transition Plan Taskforce.)
Environmental, social and governance (ESG)	Three key aspects of sustainability. Financially material ESG risks and opportunities being embedded into investment and operational decisions.
ESG integration	The systematic, explicit and transparent integration of material ESG considerations into the processes for investment research, analysis and decision making.
Exclusions	Explicitly prohibit investing in a particular company, sector, business activity, country or region.
Financed emissions	The absolute emissions associated with the investments in the portfolio, expressed in tCO_2e. Emissions are attributed to a portfolio based on the portion of the company's value that the portfolio holds, using Enterprise Value Including Cash (EVIC) for publicly listed corporates.
Global Real Estate Sustainability Benchmark (GRESB)	The annual GRESB survey is recognised as a measure of sustainability performance. It is the leading ESG global benchmark for real estate and infrastructure investments. It is used as a key decision-making tool for investors, asset managers and the wider industry. GRESB assessments are based on seven sustainability aspects, including information on performance indicators, such as energy, GHG emissions, water and waste.
Greenhouse gas (GHG)	The seven gases included in the GHG Protocol are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). (Source: GHG Protocol.)
Just transition	An inclusive approach which helps avoid exacerbating existing injustices or creating new ones, considering the social implications of moving fairly to a low-carbon economy.
Mutual	A company owned by its member customers rather than shareholders. A member of a mutual company can vote at its Annual General Meeting.
Net zero	Net zero is achieved when an organisation reduces the majority of its GHG emissions in line with latest climate science, and offsets the remaining hard-to-abate residual emissions using carbon removal credits.

Glossary *continued*

Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at the UN Climate Change Conference (COP21) in December 2015. Its central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. (Source: UNFCC.)
Parker Review	An independent review first commissioned in 2015 to consult on the ethnic diversity of UK boards. The review considers and sets targets on how to improve the ethnic and cultural diversity of UK boards to better reflect their employees and the communities they serve.
Renewable energy	Energy derived from natural sources that replenish at a higher rate than they are consumed.
Scope 1, 2 and 3 emissions	Scope 1 - GHG emissions directly resulting from our business activities. For example, from company cars and direct emissions from air conditioning units. Scope 2 - Indirect GHG emissions through our energy consumption. For example, resulting from fossil fuels burned to produce the electricity used to provide heat, light and power technology within our offices. Scope 3 - All other GHG emissions indirectly produced as a result of our business activities. This category includes emissions from our value chain and the entirety of our portfolio emissions.
Shareholder proposal	A formal resolution submitted by a shareholder of a company for consideration and voting at the company AGM or special shareholder meeting.
Stewardship	The responsible allocation, management and oversight of our customers' and clients' money to create long-term value, supporting more sustainable benefits for the economy, the environment and society.

Tilt strategy	An investment strategy that allows fund managers to deviate from an underlying index, by giving greater weight to securities according to a chosen measure (for example, ESG and climate practices).
UK Corporate Governance Code (the Code)	A comply-or-explain code of corporate governance principles applicable to all companies with a premium listing on the London Stock Exchange. The UK listing rules require that companies must apply the principles of the Code or explain how their alternative approach upholds high standards of corporate governance.
UK Stewardship Code	The Financial Reporting Council's (FRC) UK Stewardship Code is a voluntary code focusing on improving responsible investment and stewardship disclosure; setting principles for asset owners, asset managers and service providers. Submissions to the Code are annual and assessed by the FRC before the list of successful signatories is published on its website.
Value chain	The series of stages involved in producing a product or service that is sold to consumers, with each stage adding to the value of the product or service.
Value chain emissions	Royal London's non-investment-related Scope 3 value chain GHG emissions.
Weighted average carbon intensity (WACI)	A portfolio's exposure to carbon-intensive companies, expressed in tCO_2e/\$m revenue. Scope 1 and Scope 2 GHG emissions are divided by companies' revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value).
Women in Finance Charter	This is a pledge for gender balance across financial services. This is a commitment by HM Treasury and signatory firms to work together to build a more balanced and fair industry. The Charter reflects the government's aspiration to see gender balance at all levels across financial services firms.

Read more at https://www.rlam.com/uk/individual-investors/glossary/

Useful links

FRC – UK Stewardship Code 2020

FRC – UK Stewardship Code Signatories

PRI – Definitions and terminology

Royal London Asset Management – Conflicts of Interest Disclosure Statement

Royal London Asset Management – Our Views

Royal London Asset Management – Sustainable Finance Disclosure Regulation (SFDR) web page

Royal London Asset Management - Sustainability Disclosure Requirements (SDR) web page

Royal London Asset Management – Responsible Investment web page

Royal London Asset Management – Sustainable Investing web page

Royal London Asset Management Responsible Investment and Stewardship Statement

Royal London Asset Management – UK Voting Guidelines 2024

Royal London Asset Management – Voting Records

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