



Ethical and Sustainable Investment Policy

Pre- Contractual Disclosure



Introduction

This document describes the investment process for the Royal London Sustainable Funds*. It is for information purposes only and is not a financial promotion. If there is anything you do not understand, you should discuss it with your professional adviser.

All Royal London Asset Management investment funds integrate environmental, social, and governance (ESG) considerations into the investment decision making process, helping to mitigate ESG risks, identify opportunities for investors, and assess any positive or negative impact a company may have on broader society.

All Irish domiciled Royal London sustainable funds will be managed in line with the process outlined in this document.

Our sustainable investment process

The Sustainable investment process is fundamentally based on positive screening; looking for companies providing a positive contribution to society through their products and services (the “what”) and/or demonstrating leading sustainable practices in the way they operate (the “how”) to create a cleaner, healthier, safer and more inclusive world.

For each investment that is considered, we undertake a thorough analysis to assess the suitability of a potential investment from both a sustainability and financial standpoint. The sustainability analysis is common to both equity and fixed income investments and is conducted first, while the financial analysis is tailored to each asset class.

Sustainability screening involves both positive and negative criteria. Company operations are assessed alongside sector and industry leading practices. We seek to invest in companies compliant with the UN Global Compact and its ten principles which cover human rights, labour, environment, and anti-corruption. Products and services undergo extensive desk-based research and are assessed alongside an exclusionary policy detailed below.

External oversight – Royal London Asset Management External Advisory Committee

Royal London Asset Management benefits from an independent External Advisory Committee which independently oversees the investment universe for Royal London Asset Management's range of sustainable funds. This committee is multi-disciplinary, consisting of academics and industry experts, and meets at least three times a year. The committee receives reports on sectors and companies and advises on the approval and exclusion of companies as well as topical issues relevant to the sustainable investment universe. The committee is responsible for ensuring that the criteria and spirit of our sustainable philosophy are observed, however, it is an advisory body only and final decisions rest with Royal London Asset Management.

Exclusions

Our process is fundamentally one of positive screening; however, we think it desirable to make explicit where we will not invest in companies exposed to sectors or activities that have failed this approach. A 0% revenue tolerance is applied to the following sectors and activities:

- Armaments manufacturing
- Tobacco manufacturing
- Nuclear power generation
- Animal testing (other than for purposes of human or animal health)

The following exclusion criteria are not driven solely by revenue generation, and therefore require different exclusion definitions and an alternative approach to screening. In house expertise is utilised to provide in depth analysis to identify and exclude companies with inadequate policies or systems in the following sectors and activities:

- Animal welfare
- Pornography
- Gambling
- Alcohol

Fossil Fuels

We avoid companies in sectors with extremely high environmental impacts unless there are strong mitigating factors.

In this context, and dividing ‘fossil fuels’ into extraction, power generation and services, our policy is:

- Extraction – we exclude oil & gas or mining companies due to their high environmental impact and contribution to climate change
- Power generation – where we see companies with material exposure to renewable energy and a demonstrable commitment to evolve away from gas and coal, we will consider investing
- Services – for those companies providing services to extractive industries that make them safer and materially improve their environmental impact, we will consider investing

Future modifications to investment process

The exclusions applied to the funds are monitored on an ongoing basis. Where it is deemed appropriate for new criteria to be added, or existing criteria to be amended, it will first be presented to internal committees, such as those led by the Royal London Asset Management Responsible Investment team, for approval to sign off ahead of being incorporated into the live process. Where material, investors will be notified of the changes.

Periodic review

This document will be reviewed and updated on an annual basis but may change more frequently from time to time to reflect material new developments, research and improved ESG data and insights.

* Royal London Sustainable Funds is defined as all funds with the term Sustainable referenced in the naming convention where Royal London Asset Management act as the Investment Manager.

Contact us

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

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