



Response to ESG Questionnaire Royal London

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Introduction

The issue of defining ESG and how individual companies express their specific values is now at the forefront of many of our clients' minds. We have researched SRI funds for many years now and have a separate rating category, but we acknowledge that this is now a mainstream strategy for an increasing number of investors and ESG issues are impacting all funds, not just those designated responsible or SRI.

In order to understand each company's stance on ESG factors at the corporate level, and how this is built into the investment managers' research and process we ask all our rated fund managers four questions:

- Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.
- Please provide an overview of how ESG is integrated into your business.
- Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.
- What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?

The responses given by Royal London are shown here.

1. Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.

Royal London Asset Management's commitment to being a responsible investor is underpinned by our investment philosophy and is encouraged and supported by Royal London Asset Management's leadership. In managing our clients' assets, we practise good stewardship and promote responsible investment and good governance across all of our strategies. We integrate environmental, social and governance (ESG) considerations into investment decisions and apply stewardship practices such as voting and engagement across our range of strategies and funds. Our underlying belief is that responsible investment practice leads to positive outcomes for companies, investors, society, and the wider economy.

Our approach is centred on providing the appropriate governance, tools, expertise and support to our investment teams to help them identify investment opportunities and avoid risk that, if unmanaged, would result in poorer outcomes for our customers and society. Having the right capabilities to do this is more important than ever, as systemic and emerging ESG risks such as climate change will have an impact on investment performance and our ultimate success as a business. We are committed to continual improvement and transparency.

Our new company purpose reinforces the value that both Royal London Asset Management and Royal London places on putting our customers at the heart of what we do, being responsible in how we manage our business and invest our clients' assets. Protecting today, investing in tomorrow. Together we are mutually

responsible. Our strategy is focused on building financial resilience, promoting long-term savings and strengthening our responsible business activity because we believe this will deliver better value and service for our customers and clients.

At Royal London Asset Management, we are continuing to enhance and improve our approach to stewardship and responsible investing because we know it's what our clients want and because it's the right thing to do. Responsible investment is embedded in our investment philosophy and implemented across our business in two ways: Stewardship and ESG Integration.

Being long-term stewards of our clients' capital is a core part of how we make investment decisions, monitor companies and influence outcomes. As responsible investors, we have two important tools that we can use to embed and implement our stewardship responsibilities: Engagement and Voting. Integrating, analysing and assessing ESG issues across our funds helps us better manage investment risks and opportunities, including PAIs where applicable. We believe those companies best prepared for a more sustainable future are more likely to deliver long-term returns for clients, as governments, regulators and consumers continue to focus on delivering a better future for society and the environment.

Royal London and Royal London Asset Management are committed to being responsible investors. This is reflected in the way that we engage with companies we invest in. But responsibility applies to how we manage ourselves as well. We recognise that as a leader in a major UK industry, we have a contribution to make to society in a wider sense, as well as investing assets for clients. Being a diverse and inclusive company isn't something we do to tick a box – we believe that a more diverse and inclusive workforce, working in an open and friendly environment, leads to better results for our clients. Ultimately, we need to make sure that we get the best people, with the right values, seeking the right outcomes.

Stewardship & responsible investment is one of our five investment beliefs: Good investors are good owners. Environmental, social and governance issues are increasingly affecting asset prices. We believe that it is in the best interest of our clients for Royal London Asset Management, where appropriate, to integrate these issues in our investment process with the aim of improving standards, reducing risk and enhancing returns.

2. Please provide an overview of how ESG is integrated into your business.

Royal London Asset Management is committed to being a responsible investor. This means being a good steward of our clients' assets and promoting responsible investment and good governance across all asset classes. Alongside this, we also believe that considering ESG issues in the investment process can help us deliver better returns for our customers and clients.

Because we believe ESG factors can be a source of both risk and opportunity, we integrate, analyse and assess ESG issues across all our funds. The investment teams, led by their respective head of asset class, are responsible for considering ESG factors in their investment processes, alongside financial and other non-financial factors.

For our equity strategies, ESG risks are flagged to fund managers so that any risks can be considered within their overall view of the risk/return profile of their individual portfolios. We have a robust governance engagement and proxy voting strategy that applies across our equity funds and fund managers are highly involved in discussions with companies about corporate governance and other material environmental and social risks. We can also undertake portfolio level ESG analysis to highlight risks and identify companies for engagement.

For our Sustainable Funds, ESG analysis is a fundamental part of the investment research and decision-making process. All companies eligible for investment must have good governance and meet at least one of two criteria: 1) the company provides products and services that have a net benefit to society, or 2) the company is considered an ESG leader relative to its peers.

In fixed income, ESG analysis is embedded into our regular credit analysis. This process is led by our Credit Research team which receives assistance and guidance from the Responsible Investment team. Our ESG research for fixed income is tailored to the specificities of the asset class, as we've found that it is both

ineffective and impractical to apply an equities approach to ESG when looking at fixed income securities. We also offer specific Sustainable fixed income funds, as well as an Ethical Bond Fund which applies negative screening on top of our integrated ESG analysis.

Broadly, our ESG integration model looks to leverage of the knowledge and rich experience of the RI team to enrich and supplement the data we receive from a number of third-party data providers, like MSCI, by developing a proprietary ESG scoring model. These proprietary scores will encompass bespoke research and stewardship work carried out by our in-house team of Responsible Investment experts and will go towards expanding upon our robust research and analysis processes. Whilst relevant both for our equity and fixed income RI work, the contribution is evident especially within fixed income, due to the limitations and narrow coverage of ESG research and scoring. To support the enhanced integration of ESG considerations into fund processes, we have developed Royal London Asset Management's proprietary ESG Dashboard which is now a recognised research tool within our RI Policy. The dashboard serves as a central repository housing ESG research, details on engagements, proxy voting and specific material ESG risks at the issuer level, as well as company scores.

3. Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.

From the 1 January 2021, no Royal London Asset Management fund will knowingly invest in corporate equity and/or debt involved in the manufacture of cluster munitions, anti-personnel landmines and chemical and biological weapons (which we collectively define as 'controversial weapons').

Our Controversial Weapons policy can be found here:

<https://www.rlam.com/globalassets/media/literature/policies/controversial-weapons-policy.pdf>

4. What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?

Over the last 12 months we have made the following improvements to our ESG footprint:

- We continued to update our bespoke ESG dashboard. This includes data we receive from third-party data providers, supplemented with our own internal research and data, and details on engagements and proxy voting. The dashboard includes a bespoke Engagement Tracker to help us log and monitor our engagements with companies. This allows any Royal London Asset Management team meeting with a company to see the notes and outcomes of previous engagements beforehand.
- We review our engagement themes every two years, and have recently conducted this review and updated these themes. We will publish our six engagement themes for 2024-2026 as part of our Stewardship Report in the coming months.
- In 2023, we produced product-level TCFD Reports for all of our pooled funds for the first time, and published these on our website: <https://www.rlam.com/uk/intermediaries/funds/fund-information-factsheets/>
- We established a Responsible Investment Reporting team, to facilitate with RI client reports, client service and queries, and internal ESG integration. This team has improved our reporting capabilities, and widened the range of information and data we can provide to clients.
- After a lengthy review process in 2023, our previous UK and Global voting policies have been streamlined and combined into a new single document: Royal London Asset Management Voting Guidelines.

- We have provided updates on key engagement programmes, including Net Zero: <https://www.rlam.com/globalassets/media/literature/reports/2023/net-zero-stewardship-programme-update-h1-2023.pdf> and Biodiversity Net Gain (BNG): <https://www.rlam.com/uk/institutional-investors/our-views/2024/responsible-investment-research-biodiversity-net-gain/>
- We conducted an internal audit review of our Responsible Investment Programme. The objective of this was to review: the effectiveness of the governance (including accountability for outcomes, programme risk management); project change control (i.e. assessment of the process to manage changes within the programme, including a review of how changes were incorporated into other programmes/BAU activity); and reporting controls (including review of frequency, accuracy, consistency and distribution of programme reporting of key milestones, deliverables, cost/benefit tracking and escalation of any issues).
- We provided mandatory RI training to all colleagues, improving ESG integration across the whole firm.

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