

For Professional Clients only, not suitable for Retail Investors.

# Sustainable investing

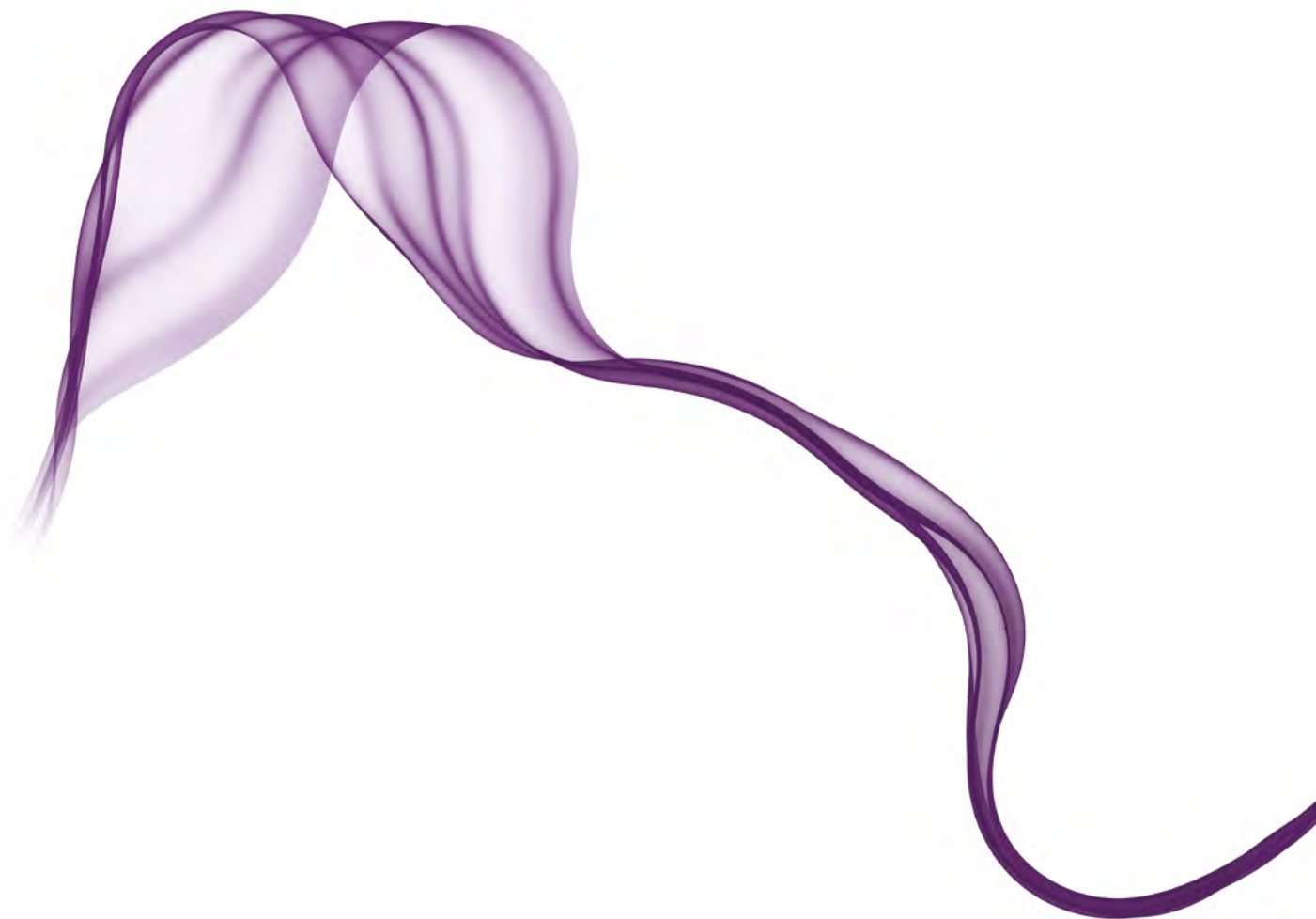




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We invest in innovative, well-managed companies with strong business models that are helping solve the world's sustainability challenges.

**Mike Fox, Head of Sustainable Investment**



# A modern investment approach

**An active, positive approach that aims to identify and invest in companies that ‘do good’**

We invest in companies whose products and services have a positive impact on society and whose operations have strong environmental, social and governance performance (ESG) credentials - but we never lose sight of the fact that our aim as investors must always be to choose the investments that have the potential to outperform and make strong returns over the long term. At Royal London Asset Management, we have been dedicated to constructing and managing sustainable funds for many years, targeting attractive strong risk-adjusted returns over the medium to long term.

# Sustainable investing

## Our philosophy

We believe that owners and managers of capital can be a catalyst for positive social and environmental change. They can do this in two ways. By investing in sustainable companies that are helping to solve the world's social and environmental challenges, and through active engagement to encourage continual improvement.

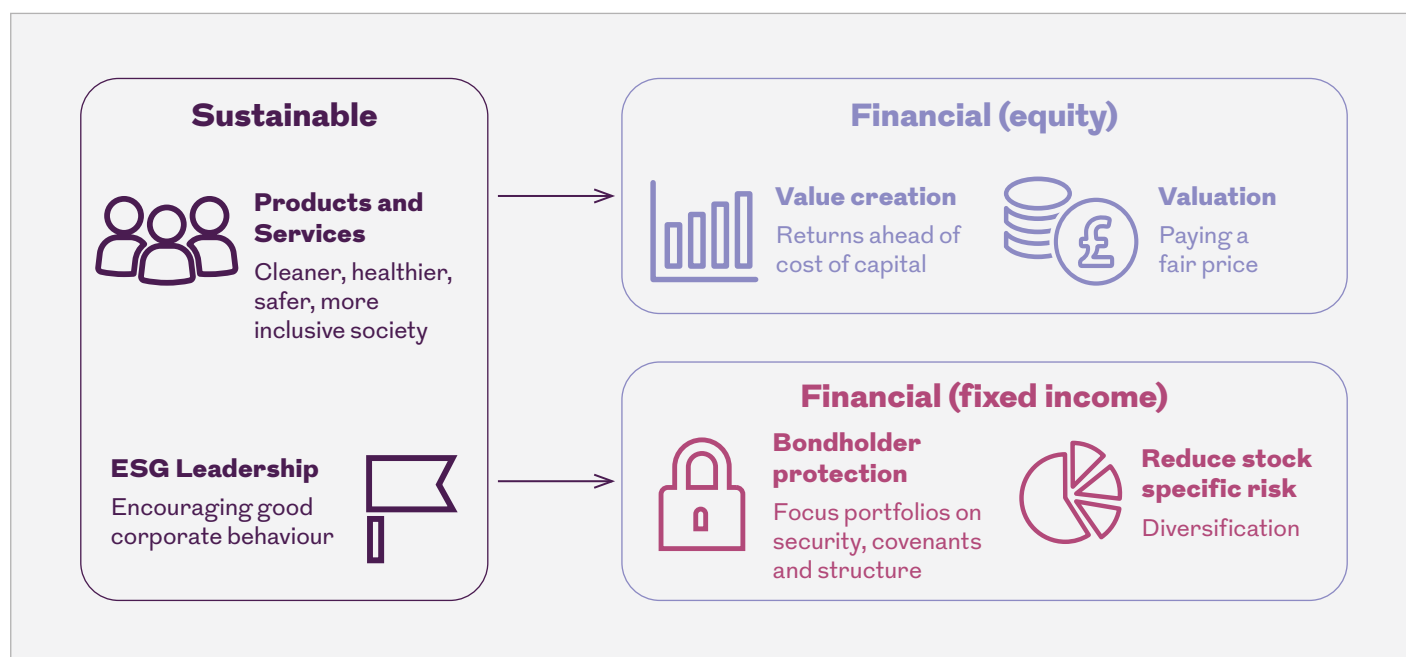
In our view, strong sustainable credentials are often a good leading indicator of long-term financial performance with respect to growth and profitability and we believe that sustainable investing focuses on an exploitable market inefficiency. By embedding sustainability analysis into our investment process, we can identify investment insights that others may miss.

## Our core principles

We support the change to a more sustainable society by investing in companies based on what they do and how they do it. This positive contribution can be through the products and services

they provide and operationally through ESG leadership i.e. how a company looks after its operational assets, the environment, its stakeholders and the role it plays within its industry. We use active engagement to encourage good corporate behaviour and continuous improvement, where there are adverse impacts. We aim to drive positive change. We actively avoid companies that undertake business activities deemed to be detrimental to society and that breach our sustainable principles. These include areas such as tobacco and armament manufacturers, nuclear-power generators, and companies that are unwilling or unable to mitigate the significant negative environmental impacts associated with their business e.g. fossil fuel extraction or mining companies.

We look for well-managed sustainable companies that are leaders in their fields with durable competitive advantages and which we believe can deliver more resilient growth, lower operational volatility, and better bond holder protection as a result of strong management of sustainability risks.





# Why Royal London Asset Management for sustainable investing?



## Experienced and diverse team with long track record

**Experienced** – One of the longest tenures in sustainable investing, managing the funds through a number of market, economic and social cycles.

**Expertise** – Broad and deep knowledge of sustainable investing, benefitting from oversight of an external advisory committee.

**Track record** – Strong track record of attractive risk-adjusted returns over the medium to long term.

**Award winning** – Funds and their managers regularly recognised for performance and investment approach.



## Differentiated process

**Positive screening** – Investing in leading companies that make a positive contribution to society.

**Bottom-up** – Research process based on detailed due diligence and independent analysis that identifies additional risks and opportunities not captured by traditional ESG research.

**Scorecard approach** – Research framework equally weights sustainable and financial characteristics, ensuring consistent high-quality investment decisions.

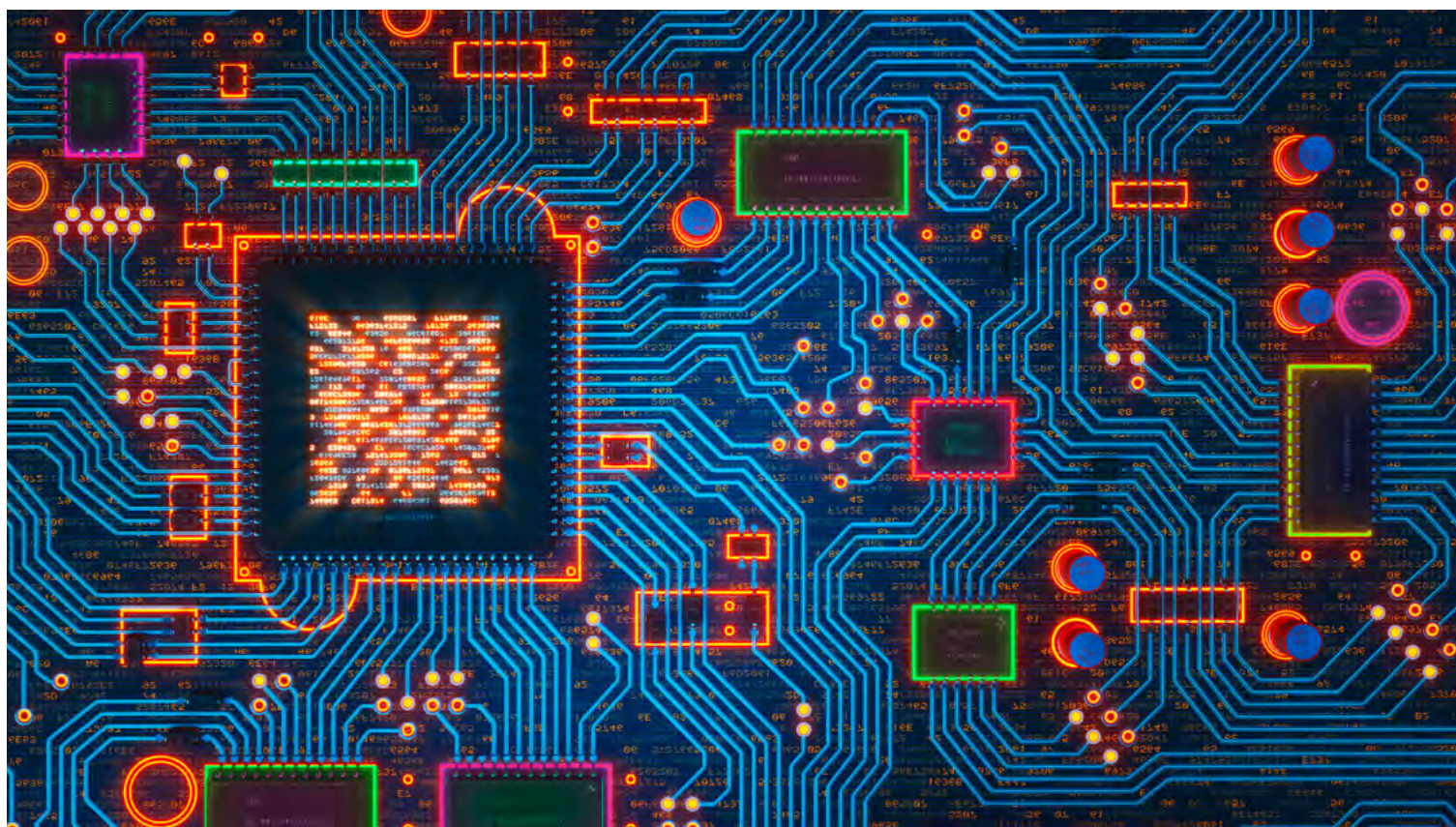


## Flexible

**Flexible** – Investment approach applicable across equities and fixed income, and capable of meeting clients' needs whether it is pooled or segregated funds.

**Regional and global funds** – Invest across UK or global markets.

**Diverse range** – Risk-rated suite of sustainable funds offering a range of options to meet differing client risk profiles.



# Our investment approach

Our sustainable investing approach leads us to identify companies that we believe make a positive contribution to society, and at the same time deliver more resilient growth, lower operational volatility and better bond holder protection as a result of strong management of ESG risks. We believe that these types of companies are often undervalued by markets, particularly over the long term.

## Sustainable Screen

Our process is fundamentally one of positive screening. 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. 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:

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

We also pay particular attention to the following areas with respect to clear policies:

- Animal welfare
- Alcohol

Finally, sectors with extremely high environmental impacts are excluded unless there are strong mitigating factors:

- Fossil fuel extraction
- Mining

## Investment analysis (bottom up)

Our research framework is based on a holistic assessment of a company's sustainable criteria focusing on its products and services as well as its ESG operations.

Our in-depth analysis gives an equal weighting to both sustainable and financial characteristics, where a minimum threshold is applied using our scorecard criteria.

## External advisory committee

Our external advisory committee consists of experts in areas such as charities, corporate governance, academia and sustainable investment.

The committee meets a minimum of three times a year to ensure that the criteria and spirit of our sustainable philosophy are consistently applied, providing independent challenge and insight.













## Portfolio

We allocate capital globally to what we deem the most attractive sustainable investment opportunities identified by our bottom-up research process, constructing high conviction portfolios with a quality bias and long-term active ownership, largely unconstrained by index requirements.

We actively avoid carbon intensive industries while investing in companies at the forefront of the low carbon energy transition resulting in low carbon portfolios versus the benchmark.

Source: Royal London Asset Management, for illustrative purposes only.

# Our sustainable themes

	Circular Economy & Environmental Efficiency		Financial inclusion and resilience
	Cleaner and safer transport		Hygiene and wellbeing
	Community funding		Industry 4.0
	Digital world		Knowledge and learning
	Energy transition		Next generation medicine
	ESG Leadership		Social & Environmental infrastructure

Portfolio characteristics and holdings are subject to change without notice. This does not constitute an investment recommendation. For information purposes only. Source: Royal London Asset Management internal sustainable themes, as at 28 February 2023.

When looking at our portfolios, certain themes emerge, and every investment will support one or more themes that drive this change. It is important to remember that themes are not a top-down portfolio construction tool but are an outcome out of our bottom-up stock selection. Each stock or bond in our sustainable funds has to meet our sustainable and financial criteria – we will not invest in a stock or bond purely on a theme.

Our investment approach aims to support the change to a cleaner, healthier, safer and more inclusive society.

Our sustainable themes are not fixed, and we would expect these to evolve as society changes and different investment opportunities present themselves.

## Our current sustainable themes

### Circular Economy & Environmental Efficiency

Focusing on the re-use, recycling, remanufacturing, and subsequent consumption of our planet's natural resources. From improving recycling to reducing energy requirements, this theme is about embracing efficiencies to reduce the use of unnecessary resources.

### Cleaner and safer transport

Transport remains one of the major sources of pollution through the use of combustion engines. This theme focuses on embracing the use of electric or autonomous vehicles driving positive change in transport for a cleaner, safer future.

### Community funding

Focusing on less developed societies, we invest in companies such as banks and building societies that fund and support individuals and small businesses.

### Digital world

This theme focuses on decarbonising the economy by embracing more energy-efficient way to store and process data.

### Energy transition

Embracing the move from fossil fuels to the use of renewable energy such as solar and wind. Renewable energy creates a cleaner more sustainable way to source energy.

### ESG Leadership

Companies could demonstrate a net benefit through their exceptional ESG practices. This extends beyond their direct operations to their interactions with their supply chains, customers and wider stakeholder base.





### Financial inclusion & resilience

The future of finance, from next generation payment platforms to ensuring a better future, is driven by a desire to empower consumers. These businesses will also extend access to financial services to the surprisingly high portion of the world who are unable to access the basic financial structures taken for granted in the more affluent regions of the developed world.



### Hygiene & wellbeing

While fending off everyday bacteria and regular exercise might seem more mundane than the latest medical advances, small steps can have a big impact. Companies in this theme provide the ingredients and finished products to improve our health and wellbeing.



### Industry 4.0

Bringing together the physical and digital worlds to enhance the efficiency of a range of existing industries.



### Knowledge and learning Infrastructure

The information-based analytics and decision tools that help institutions and professionals progress science and increase operational efficiency by improving productivity and decision-making.



### Next generation medicine

The new advancements in healthcare helping to enhance the standards. This looks at the ability to extract more accurate and timely health information from our bodies, and the ability to obtain our individual genetic profile.



### Social & Environmental infrastructure

The economy of the future will require renewed investment in not just digital but also physical infrastructure. From cleaner, more biodiverse water systems to advanced and net-zero ready logistics facilities this theme will be the backbone of the future economy.



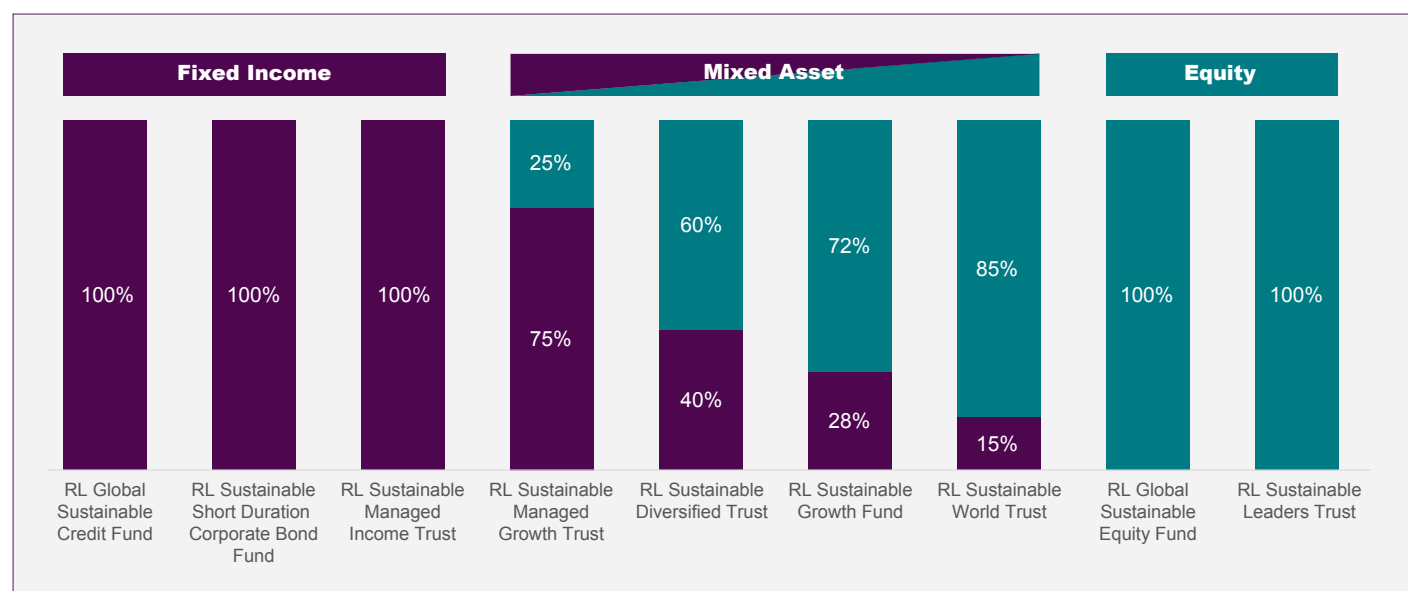
### Social housing

The provision of housing for those on low or no income mainly through housing associations.

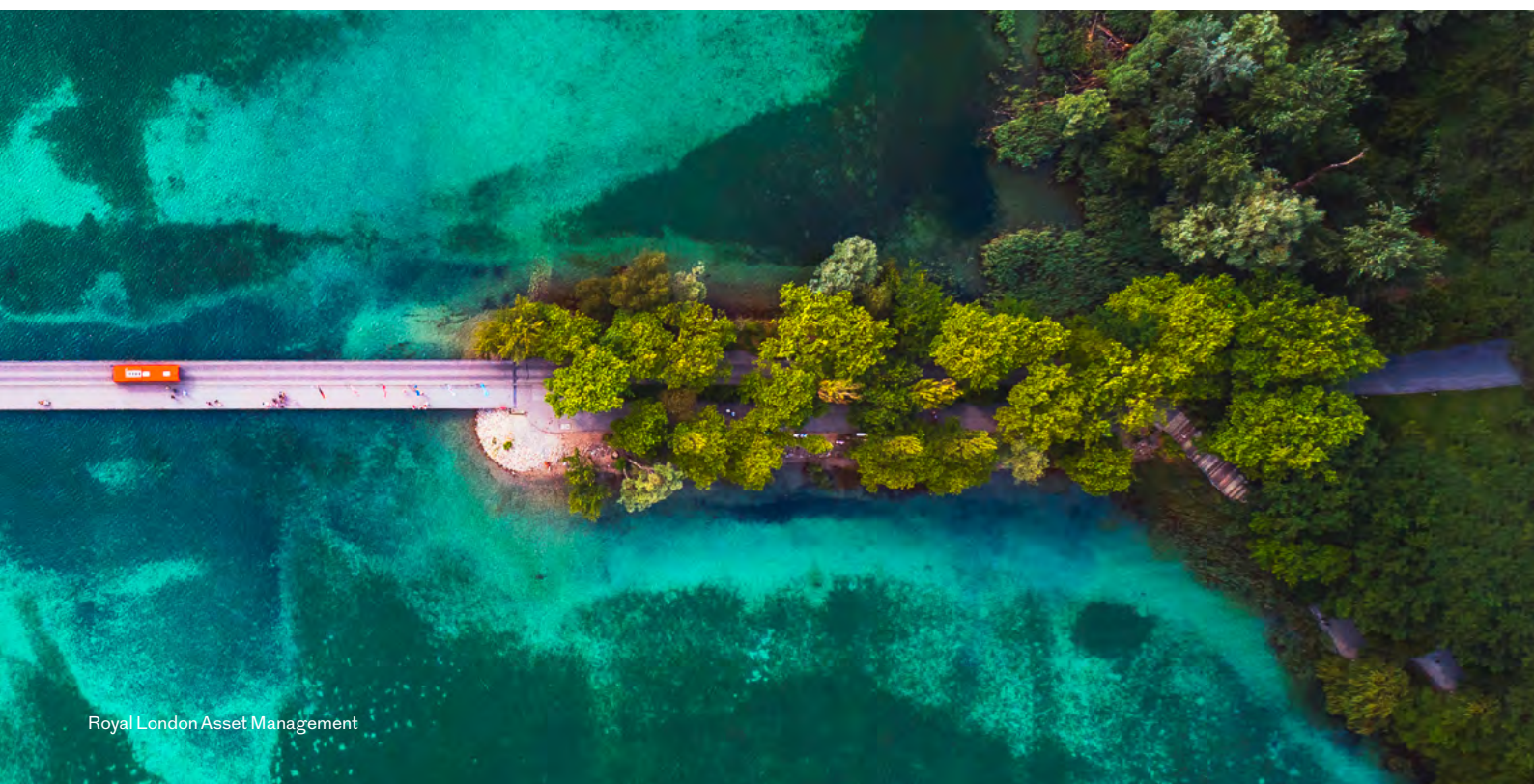


# Our sustainable range

We offer a risk-rated suite of sustainable funds, to meet varying risk, capital and income requirements of our clients. Our fund range spans the risk spectrum, ranging from 100% fixed income to 100% equity, with mixed asset funds in between. We also offer bespoke solutions. The below chart illustrates the Royal London Asset Management sustainable range and the respective asset allocations along the mixed asset spectrum.



For illustrative purposes – reflects approximate percentage asset allocation, weightings may vary.



# The Sustainable Investment team

The Sustainable Investment team, is an integral part of our wider equities and fixed income capabilities and draws on expertise across the business. It has a disciplined approach to investing, based around clear principles and a framework that aims to ensure consistently high-quality investment decisions.

The Sustainable Investment team is headed by Mike Fox, who is a specialist in sustainable investing and one of the few fund managers in this area with such long tenure. Mike is responsible for the overall strategy and the equity allocations across all the sustainable funds, together with George Crowdy and Sebastien Beguelin who are the co-fund managers of the RL Sustainable Leaders Trust, RL Sustainable World

Trust, RL Sustainable Growth Fund, RL Sustainable Diversified Trust and RL Global Sustainable Equity Fund. They are supported by four dedicated analysts who undertake both sustainable and financial analysis on a global basis.

Shalin Shah is the lead fund manager for the RL Sustainable Managed Growth Trust, RL Sustainable Managed Income Trust, RL Sustainable Short Duration Corporate Bond Fund and is, together with Matt Franklin, responsible for the fixed income allocation across the sustainable funds. Rachid Semaoune is the lead fund manager for the RL Global Sustainable Credit Fund. They are supported by a dedicated analyst.

The Sustainable Investment team is supported by the Responsible Investment team, who oversees our overall responsible investment strategy, company engagement and proxy voting, and supports our Sustainable Investment team with its expertise on ESG analysis as part of the sustainable investment process.

The Sustainable Investment team is supplemented by an external advisory committee, with representatives from the academic, corporate, charities and investment professions, who provide independent challenge into the decisions we make and provides perspectives on a whole range of issues that are important to our investors and, we believe, enhance the decision-making process of the team.



**Mike Fox**  
Head of Sustainable Investments



**George Crowdy**  
Sustainable  
Fund Manager  
Sustainable Equities



**Sebastien Beguelin**  
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**Shalin Shah**  
Senior Fund  
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Sustainable Credit



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Sustainable Credit



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**Luca Giacalone**  
Sustainable Credit &  
ESG Analyst



## Risk warnings

**Concentration risk:** The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

**Exchange rate risk:** Changes in currency exchange rates may affect the value of your investment.

**Liquidity risk:** In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

**Emerging markets risk:** Investing in emerging markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

**Derivative risk:** Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both fund losses and gains. The impact to the fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

**Credit risk:** Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

**Interest rate risk:** Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

**EPM techniques:** The fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.

**Counterparty risk:** The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

**Inflation risk:** Where the income yield is lower than the rate of inflation, the real value of your investment will reduce over time.

**Investment risk:** The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.



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Telephone calls may be recorded. For further information please see the Privacy policy notice at [www.rlam.com](http://www.rlam.com).

RL Sustainable Managed Income Trust, RL Sustainable Managed Growth Trust, RL Sustainable Diversified Trust, RL Sustainable World Trust and RL Sustainable Leaders Trust are held within RLUM Limited Unit Trusts, which is an authorised unit trust scheme. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

The RL Sustainable Growth Fund and RL Global Sustainable Equity Fund are sub-funds of Royal London Equity Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000807. The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037.

The RL Global Sustainable Credit Fund is a subfund of Royal London Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under section 264 of the Financial Services and Markets Act 2000. The Investment Manager is Royal London Asset Management Limited. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

For more information on the funds or trusts or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on [www.rlam.com](http://www.rlam.com).

Issued in April 2023 by Royal London Asset Management Limited, 80 Fenchurch Street, London EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

Ref: BR RLAM PD 0128

## Contact us

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

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102359 04 2023

