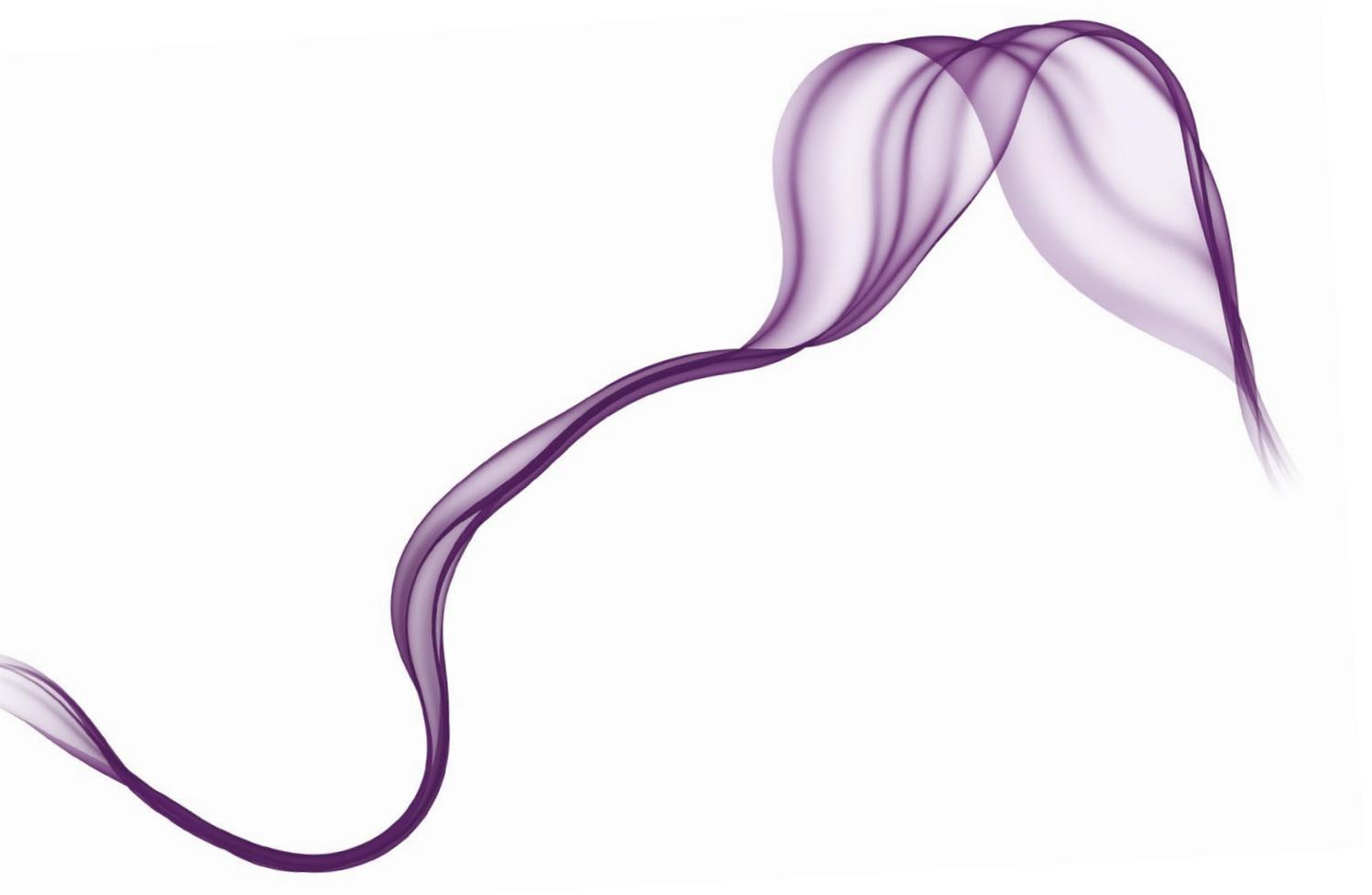


Responsible investment policy

2021



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Foreword from Piers Hillier

Our ambition is to be a leader in Responsible Investment, and this policy explains our beliefs, policies, and practices, as well as how we monitor our progress and challenge ourselves to make improvements. For RLAM, ‘Responsible Investment’ describes our overall commitment to being a good steward of clients’ capital and integrating environmental, social and governance (ESG) considerations into our investment decisions. Our underlying belief is that responsible investment ultimately benefits companies, investors, society and the economy as a whole. It is integrated into our investment philosophy because we think it will ultimately enhance the long-term returns for our clients. It also supports our broader Royal London Group purpose: “Protecting today, investing in tomorrow. Together we are mutually responsible.”

Our approach is focused 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. As such, we will review this policy annually and will disclose more detail on how we are implementing it in our annual Stewardship and Responsible Investment Report.

Piers Hillier

Chief Investment Officer

Purpose of this document

This document describes our Responsible Investment policies and practices. This includes our Engagement Policy, approach to voting, compliance with applicable regulations or codes of conduct, including the Sustainable Finance Disclosure Regulation (SFDR) and how we integrate ESG into investment decision-making. Further detailed information on

implementation and our activities during the year are published separately on our website and are referenced throughout.

Our investment beliefs

Our approach to stewardship and investment is governed by the following investment beliefs which are reflective of our clients' priorities.

Our investment beliefs

As a member-owned organisation, our investment philosophy is centred on our customers and clients – our **FOCUS**.



Financial outcomes

By working with our clients to understand their needs and expectations, we create strategies that seek to meet their objectives and deliver optimal outcomes – whether that is a tailor-made solution or a fund that is part of their overall investment strategy.



Opportunity orientated

We use our understanding of investment markets to focus on areas where we believe there are opportunities to enhance returns.

We use a combination of active and passive solutions to exploit these.



Client-centric risk management

We aim to provide the appropriate mix of risk and return to suit client needs and look to exploit opportunities where risk is being mispriced by the market. Diversification is a powerful risk management tool, but is used for a purpose rather than seen as a goal in its own right.



Unconstrained thinking

We believe in research-led investing – combining the best of top-down and bottom-up analysis when building active portfolios and tailoring this to suit the underlying investment market. We believe that market benchmarks are useful yardsticks rather than a basis for active portfolio construction.



Stewardship and responsible investment

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 RLAM, where appropriate, to integrate these issues in our investment process with the aim of improving standards, reducing risk and enhancing returns.

Our approach

Responsible investment is embedded in our investment philosophy and implemented in our business in two ways: **Stewardship** and **ESG Integration**.

Stewardship

As investors we see our role as long-term stewards of our clients' capital, and it permeates how we make investment decisions and then how we continually 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.

Engagement policy

We believe engagement is an important tool to encourage companies to make continual improvements, reduce investment risk and create better outcomes for our clients and for society. We engage with both our equity and fixed income holdings, as we believe this provides valuable insight for our investment teams and is a key part of our stewardship responsibilities. There are two ways we engage with companies:

- **Engagement for information**, where we seek to uncover additional evidence to supplement existing research or findings that feed into the investment process; or
- **Engagement for change**, where we seek to influence behaviour, policies or practices as a direct outcome of the engagement.

Both forms are crucial to being a good steward of our clients' assets, as it allows us to understand both the impact of ESG risks on investments, as well as the principal adverse impacts of our investment decisions on the environment and society. Engagement for information is often the first step in an engagement process, and is a critical part of enhancing our ESG insights to improve our investment decision-making. We believe that information discovery and disclosure in itself is an important and positive outcome from engagement. Engagement for change is often more focused, sets out clear objectives regarding what change we would like to see, and may span many months or years.

Choosing engagement themes and priorities

Every two years, we undertake a review of our engagement themes. While we do engage on other topics, these themes become our focus for the following two years. The review of our themes includes consultations with fund managers, responsible investment analysts, clients and other stakeholders. When choosing our themes, we also look at portfolio exposure and academic research on new and emerging ESG risks. The end goal is to identify priority engagement themes that address our principle adverse ESG impacts, are relevant to our most material holdings, fit with our culture and values as a company, and are important to our clients.

For reactive engagements, where we are responding to a market or company event, we prioritise by the size and nature of any principle adverse impacts, the size of our holding, the severity of our concerns, or the level of importance to our clients. To ensure we continue to provide good value for our clients, we must make hard choices about what topics and companies to pursue as part of our engagement strategy.

In summary, we choose engagements using the following criteria:

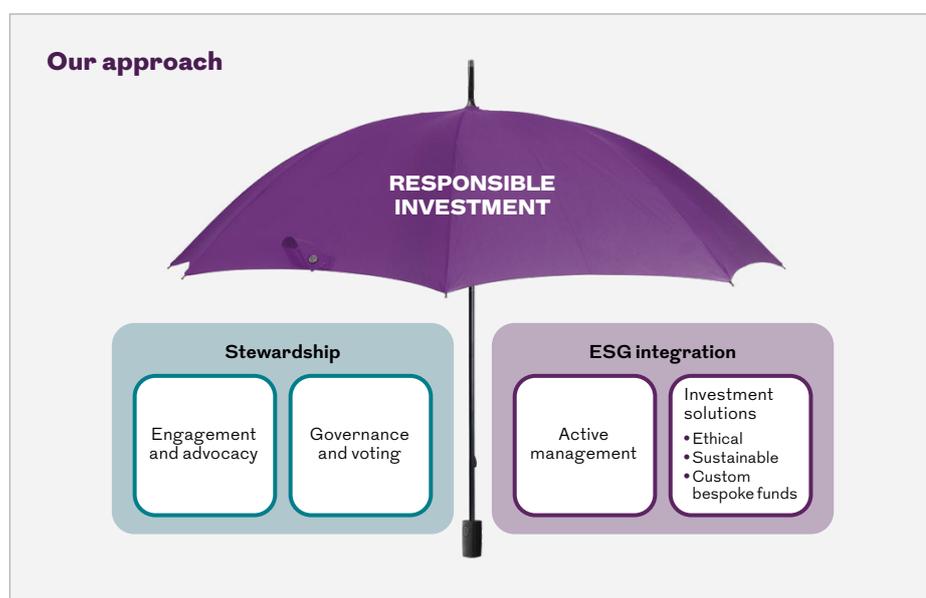
- Address a principal adverse ESG impact;
- Meets the needs and expectations of clients;
- Material and relevant to investment decision;
- Has the potential to impact corporate ESG or financial performance or reduce risk;
- Raises best practice standards within a sector or market;
- Adds value in advancing thought-leadership and good governance, as set out in local corporate governance codes.

Engagement themes

Following our 2019 review, our six engagement themes are:

- Climate risk
- Financial and social inclusion
- Innovation, technology and society
- Circular economy
- Governance
- Diversity

Our themes have been chosen carefully to reflect both the ESG risks to our investments, as well as the principle adverse impacts of our investment decision-making on the environment and society. Our themes seek to address the broad spectrum of ESG risks, themes and indicators that are most relevant to our investments and our clients. They are cross-cutting and multi-disciplinary, covering a variety of adverse impacts including social and employee matters, respect for human rights, anti-corruption and anti-bribery, and climate and environmental matters. We describe the actions we are taking to address these principle adverse impacts, as well as the outcomes we have achieved, in our annual Stewardship and Responsible Investment report. The report also describes our planned future engagement activities and any follow up actions we intend to take.



Engagement escalation

In instances where we feel that an issue has not been sufficiently addressed by management, we will escalate the matter with the chairman or other senior executives as appropriate. We may also translate our concerns into votes against relevant directors or other management proposals at the next annual or general meeting. In some instances, when the issue warrants, we may file or co-file a shareholder resolution or issue a public comment.

Below, we have illustrated the interaction between engagement and ESG integration, and our escalation process.

Importantly, the outcome of our engagements, whether successful or not, are fed back to our investment teams as part of our ESG integration process. Fund managers consider a failed engagement as part of their risk/return evaluation, and ultimately factor this into their investment decisions. In making this assessment, fund managers consider how material the issue is, whether there are mitigating factors that reduce the risk to our clients, and the time horizon of our investment, amongst other factors. We do not advocate a 'one-size-fits-all' approach, and believe that these decisions have to be made within the context of each fund, based on the financial and non-financial objectives set by our clients. As a result, the way in which ESG risks and principal adverse impacts affect investment decision making will vary between funds. Fund-specific information is available at www.rlam.co.uk

In cases where companies are not responsive to engagement and have significant, persistent or intractable ESG issues that we feel pose a significant risk to our clients' assets, we will escalate to our Investment Committee.

Any member of the Investment Committee can escalate a company for discussion. Decisions and actions agreed by the Investment Committee will be recorded in the minutes.

Investor collaboration

While our preference is often to engage with companies one-to-one, we understand that we may need to work together with others to be more effective in influencing company behaviour. We evaluate the benefits of collaborative

engagement on a case-by-case basis, and will always comply with relevant regulations including those governing market abuse and competition law.

We will favour collaborative engagement with other shareholders or bondholders when:

- A company has been unresponsive to private engagement, or where the actions of the company are not sufficient to address our concerns.
- The situation is of sufficient seriousness that progression to a collective meeting is appropriate.
- Where partnering with a larger shareholder or bondholder would facilitate greater access to management or the Board or provide us with greater ability to influence.
- It is in a jurisdiction where local partners may enhance our ability to engage through their physical presence and/or understanding of local practices.

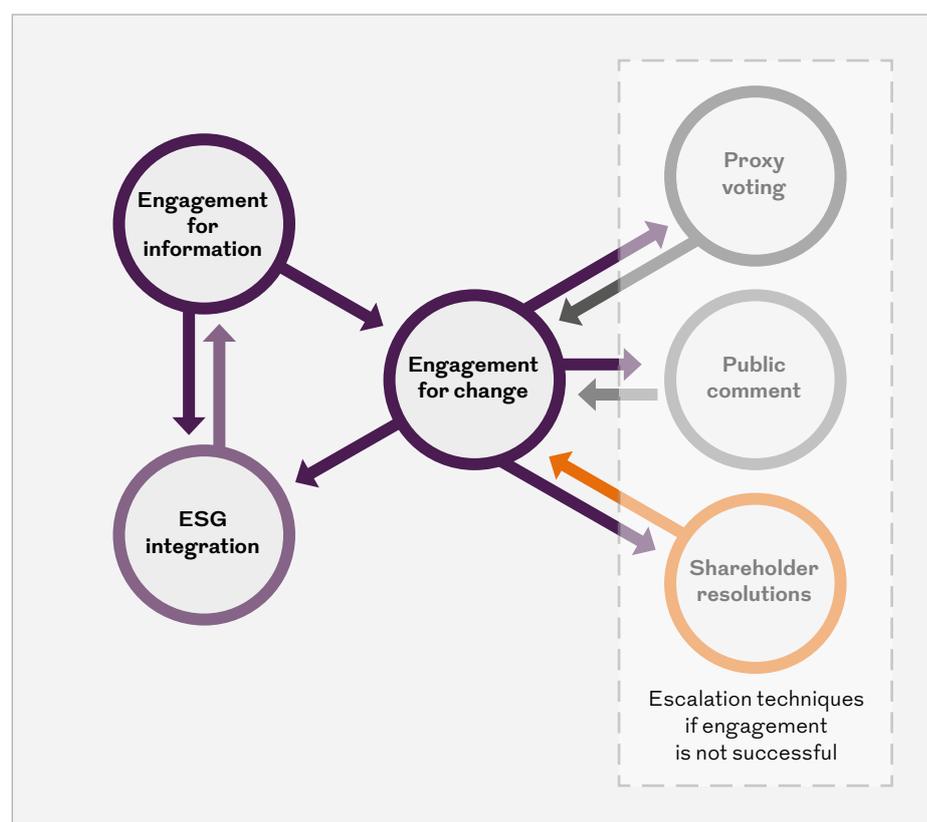
Company meetings and record keeping

Our investment teams maintain a high degree of contact with investee companies, and will often meet with them on multiple occasions each year. These meetings are

used to monitor matters such as strategy, performance (both financial and non-financial), risk profile, capital structure and other material factors. We also engage with companies specifically on ESG issues. Our engagement could be proactive, in line with our key engagement priorities; or reactive, in response to a particular event or company request. We keep a record of all ESG engagement meetings, including the objectives of the meeting, attendees, minutes, and the outcomes and key issues discussed.

Voting

Exercising our voting rights at the companies in which we invest is an important pillar of our stewardship and responsible investment strategy, and we use our voting rights to promote good corporate governance and high ESG standards in investee companies. We use voting as a tool to address the ESG risks and adverse impacts of our investments. Our UK¹ and global² voting policies define our overarching approach to exercising our voting rights. These policies are updated annually and signed off by the RLAM Investment Committee to ensure they meet emerging best practice and client expectations.



RLAM's team of governance experts review all votes ahead of each vote submission; we do not strictly follow the advice of proxy advisory firms, but endeavour to make the best decisions taking into account both external and internal research and our voting policies. Our governance team submits votes via an online governance research and proxy voting platform provider which provides us with research, tailored voting recommendations, reporting functionality, and vote processing. We have an annual meeting with our voting platform provider to review the effectiveness of our voting, to determine any improvements that can be made in our approach, and to review the service we receive. We undertake an internal monthly compliance review of our votes to ensure they were accurately voted in line with our policy. We also review any rejected or unprocessed votes and investigate any issues should they occur. Any exceptions, challenges or issues are reported to the Investment Committee.

The Shareholder Rights Directive II (SRD II) regulations state that voting behaviour, significant votes, and the use of service providers should be publically disclosed. RLAM regards every vote as significant, and as such we publically disclose the outcome of all of our votes at annual general meetings (AGMs) and extraordinary general meetings (EGMs). This is available on our website³ in a searchable online database. As of October 2020, we now vote all of RLAM's equity funds. We provide quarterly vote reporting to clients and a high level overview of key votes and voting behaviour in our annual Stewardship and Responsible Investment Report. This report also details any arrangements with service providers that support our voting.

Bondholder votes

As a bondholder, we sometimes have the right to vote on issues that affect our credit holding. Given our disproportionate exposure to secured and highly covenanted bonds, this tends to give us a greater degree of creditor control than is typical. We will exercise these rights in the best interests of our clients, and after careful consideration, we instruct our custodian to vote on our behalf. We do not typically use a proxy voting service to execute our bondholder votes.

ESG integration

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.

We do not prescribe a 'one-size-fits-all' approach to ESG risk integration because we fundamentally believe that it is most effectively integrated when investment teams embed it into their research and decision-making processes. Our range of funds and mandates span a variety of asset classes and strategies: cash, fixed interest, equity, property and multi-asset; each with their own defined investment processes and investment objectives.

We empower our investment teams to use all of the tools at their disposal to effectively interrogate company ESG performance. Our Responsible Investment team supports fund managers and provides subject matter expertise, with the ultimate aim of identifying ESG risks and ensuring they are integrated into investment decision making. The Responsible Investment team also helps identify and monitor principle adverse impacts on the environment and society. They provide ESG insights, analysis and challenge through informal daily

conversations, formal ESG portfolio reviews, and also via proxy voting and governance research. Regular portfolio reviews provide an opportunity for RLAM to document ESG conversations and are illustrative of our collaborative approach, with both investment and RI teams responsible for contributing ideas and agenda items for discussion.

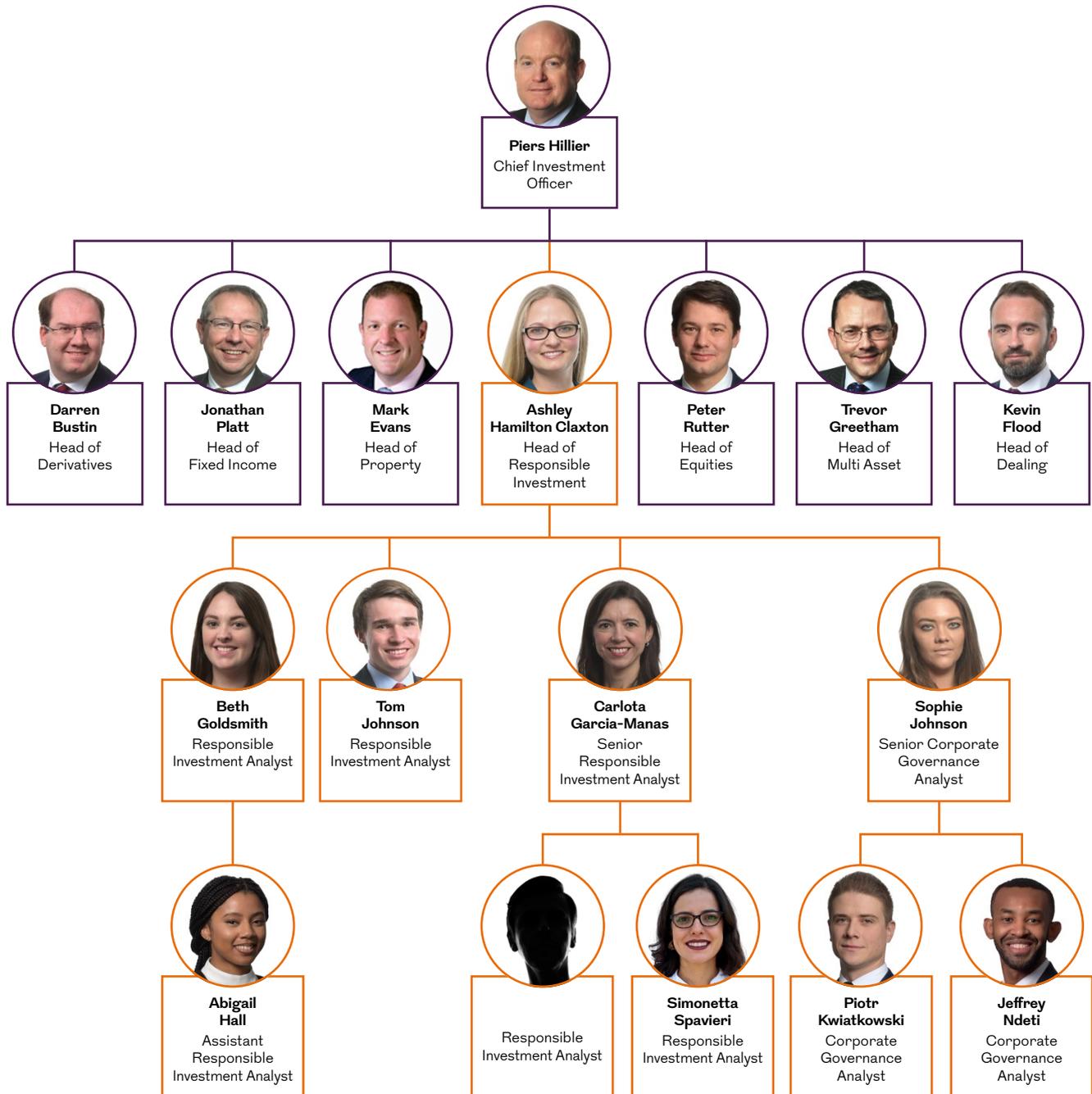
Governance and oversight

The Board has ultimate responsibility for setting RLAM's risk appetite and reviewing our strategic risks. Our Chief Investment Officer (CIO) is a regulated Senior Management Function (SMF) and is the Executive team member that is accountable for setting the investment strategy, and overseeing our Responsible Investment function, including our approach to stewardship and climate investment risk. The CIO, with support from the investment teams, updates the Board and monitors responsible investment in line with RLAM's risk tolerance threshold. The CIO is also responsible for ensuring responsible investment, stewardship and climate change risk management is embedded across RLAM's investment strategies. The CIO is a member of RLAM's Executive Committee and chairs the Investment Committee.

An overview of roles and responsibilities and our governance structure surrounding climate risk is detailed below.

Role	Responsibility
Head of Asset Class and all investment managers	Responsible for ensuring material climate risks are considered within investment decisions and contributing to engagement and proxy voting decisions.
Head of Responsible Investment (RI) and the RI team	Provides subject matter expertise, support, information, data and analytics to the investment teams and oversees day to day implementation of engagement and proxy voting activities across all asset classes.
Chief Investment Officer (CIO)	Senior Management Function (SMF) with Executive Committee responsibility for RI and climate change.
Investment Committee	Chaired by the CIO. Responsible for monitoring, oversight and advice to the CIO on investment matters as they relate to RI and climate change.
RLAM Board Risk Committee	Board-level committee responsible for monitoring climate risk on a regular basis, in line with the RLAM risk appetite.
RLAM Board	Overall responsibility for agreeing RLAM's approach to climate risk.

Organisational chart



Climate risk

At RLAM, we recognise the science of climate change and believe it can have an impact on the financial outcomes for our clients if not managed appropriately. Equally, we also recognise the role RLAM has to play in minimising the impact of our investment decisions on climate change. We will consider material climate risks and opportunities when making investment decisions on behalf of our clients, and evaluate and monitor our investments against the goals of the Paris Agreement. More information about our approach to managing climate risk can be found in our [Climate Change Policy](#).

Use of research and data

We use a number of external data providers to supplement in-house research and analysis. The data providers used gives us the ability to gather detailed insights into current trends and controversies, as well as company behaviour and ESG strategies. The data providers we use were subject to an extensive competitive tender process and cover a broad range of ESG topics. We aim to maintain a balance across all environmental, social and governance topics. By overlaying third party research with our bespoke in-house expertise, we are able to evaluate and monitor principle adverse ESG risks relevant to each specific asset class and/or fund.

As well as using third party data accessible via online platforms, our investment and RI teams also attend industry meetings and conferences with analysts from broker research providers. This helps to ensure that we maintain awareness of changing risk landscapes, helping to ensure we are able to identify new and emerging ESG risks.

Exclusions

We have adopted a policy to exclude controversial weapons companies from all RLAM portfolios. RLAM will not invest in companies involved in the manufacturing of cluster munitions, land mines, chemical and biological weapons. This policy is being implemented on a phased basis from 1 January 2021 with the aim to modify all fund documentation and divest of any holdings by the end of 2021.

Beyond controversial weapons, our strong preference is to address ESG risks within our portfolios through engagement rather than by adopting sector or stock-specific exclusions. However we recognise our clients may have their own exclusion requirements, and we work closely with them to design products and solutions that meet their needs and the needs of their end beneficiaries.

A number of our funds apply a limited number of exclusions and by doing so, formally address some of their principal adverse impact. These are detailed in the fund documents on our website. Where exclusions are applied, we review the list of excluded companies at least quarterly, and update our order management systems to restrict trading. In the rare instance a breach does occur we will follow our existing policies and procedures regarding fund breaches.

The RI team is responsible for overseeing the definitions and suitability of exclusions, including:

- Maintaining a list of internal exclusions that detail our definition of each exclusion topic and how the exclusion is applied;
- Maintaining a list of exclusions that RLAM has been instructed to apply by its clients in segregated mandates; and
- Reviewing the suitability of exclusions applied to pooled funds.

The RI team prepares an annual report on the above for review and approval by the Investment Committee.

Reporting and disclosure

We continually monitor best practice approaches to reporting and upcoming regulation and are proactive in ensuring we are always advancing the quality of our disclosure. Communication forms a large part of building trust among our clients, and is essential if we are to live our purpose of being ‘mutually responsible’. The following are examples of the reporting and disclosure we provide as part of our commitment to clients.

UNPRI

As a signatory to the UN PRI, we complete the annual PRI assessment⁴ to disclose our approach to responsible investment. We are assessed against our peers

across modules such as ‘Strategy and Governance’ and ‘Listed Equity Incorporation’ and scored accordingly.

Stewardship and Responsible Investment Report

We produce and publish an annual report evidencing our commitment to being a good steward of our clients’ assets and our adherence to the requirements of the UK Stewardship Code. The report comprises case studies from within the reporting year which demonstrates ESG integration across our asset classes. The publication includes statistics from our responsible investing activity throughout the year, specifically in relation to voting and engagements with investee companies. It also includes a more detailed discussion of how we integrate ESG factors into various asset classes and strategies.

TCFD

We became supporters of TCFD in June 2020. We have developed a new Climate Risk Policy, and are working towards publishing our first TCFD report in 2021.

Client reporting

We report our responsible investment activity on a quarterly, semi-annual and annual basis in client reports. We regularly fulfil requests for ad hoc reporting and questions from clients.

Thought leadership

We regularly publish webinars, blog posts and articles which are made available via our website. We also participate in panel discussions, conferences and seminars to debate topical and important ESG issues.

Voting

We publish our proxy voting policies and disclose the outcomes of all our vote decisions on our website⁵.

Responsibility Matters

Responsibility Matters is an RLAM publication highlighting responsible investment stories and thought leadership.

SustainAbility

SustainAbility is an RLAM publication featuring our approach to sustainable investing, including industry trends and insights.

Industry initiatives

Industry initiatives bring many benefits to RLAM, providing us with an opportunity to contribute to best practice and develop industry standards.

We actively participate in the following key responsible investment industry initiatives:

- United Nations Principles for Responsible Investing (PRI)
- UK Stewardship Code
- Task Force on Climate-Related Non-Financial Disclosure (TCFD)
- Investment Association (IA) Sustainability and Responsible Investment Committee

Conflicts of interest

RLAM's policy is to take all reasonable steps to properly identify and manage conflicts of interest and always to act in the best interests of our clients, so that transactions are effected on terms which are not materially less favourable to the client than if the conflict had not existed. Potential conflicts of interest include: where an investment is also a client, where the interests of two RLAM clients conflict, between RLAM and Royal London Group, or where an employee of RLAM is a director of an investee company.

In the unlikely event that a conflict occurs with respect to our responsible investment and stewardship activities, we will follow RLAM's Conflict of Interest Policy. In such cases, we will strive for appropriate and sufficiently detailed disclosure to our clients. The disclosure must include the general nature of the conflict and/or sources of that conflict, and be provided before undertaking the relevant business for the client. If any conflicts occur during the year, they will be described in our annual Stewardship and Responsible Investment Report.

A summary of our Conflicts of Interest Disclosure Statement is available on our website and the full policy will be made available on request.

Regulation and compliance

We will comply with applicable regulations in the jurisdictions that we operate. Where industry standards increase, we strive to achieve best practice wherever possible.

Shareholder Rights Directive II (SRD II) Compliance Statement

As set out in the SRD II regulations, RLAM is required to disclose our Engagement Policy and the engagement activity undertaken in accordance with that policy; as well as our voting policies, voting records, conflicts of interest, and investment strategy.

This document outlines our Engagement Policy as well as our approach to proxy voting, ESG integration and disclosure. It also details our conflicts of interest practices. Further details on how our voting and engagement policies are implemented, including details of any conflicts of interests and the activities we have undertaken during the year are disclosed in our annual Stewardship and Responsible Investment Report. Our voting policies are available on our website alongside our searchable voting database. Our investment strategy is governed by the FOCUS investment beliefs included in this report, which guides the approach of each RLAM fund. Further information on the specific investment approaches taken by each RLAM fund can be found on our website.

Sustainable Finance Disclosure Regulation (SFDR)

As set out in the SFDR regulations, RLAM is required to disclose our due-diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors.

For the purpose of SFDR compliance, we define 'sustainability impacts/risks' as equivalent to 'ESG impacts/risks' throughout this document and within our other disclosures.

Our due diligence process for identifying and addressing 'principle adverse sustainability impacts' is described above with regard to our identification and selection of our Engagement Themes, as well as our approach to ESG integration within our investment decision-making.

Additionally, we also include information on our adherence to internationally recognised standards and responsible business conduct codes. We also reference our Climate Policy, which has further information on our alignment with the objectives of the Paris Agreement.

Notes

- 1 https://www.rlam.co.uk/globalassets/media/literature/policies/68781_voting_policy_uk_2020_final.pdf
- 2 https://www.rlam.co.uk/globalassets/media/literature/policies/68780_voting_policy_global_2020_v2-final.pdf
- 3 <http://www.rlam-voting.co.uk/voting/>
- 4 <https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/89C3E7D9-9130-42B8-8B6D-71E983841EBE/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>
- 5 <http://www.rlam-voting.co.uk/voting/>

Appendix 1: Terms and definitions

We recognise that the industry presents a catalogue of RI terminology, and sometimes definitions can vary from company to company. We want our clients to have a clear understanding of what these terms mean to us at RLAM and therefore have adopted the most widely recognised industry standard definitions, based on the UK Investment Association's RI Framework, the UN PRI and the Global Sustainable Investment Alliance (GSIA).

Engagement

Purposeful dialogue between investors and companies on ESG issues with the intention to influence (or identify the need to influence) company behaviour or improve disclosure.

ESG integration

The systemic and explicit inclusion of ESG factors into investment analysis and investment decisions.

Exclusions/ethical investing

Explicitly prohibits investing in a particular company, sector, business activity, country or region.

Impact investing

Investments made with the intention to generate positive, measurable social and environmental impact alongside financial return.

Proxy voting

Using our rights as shareholders to vote at the Annual or Extraordinary General Meetings (AGM/EGMs) of the companies in which we invest; generally by electronic means.

Responsible investment

Investing clients' money in a responsible way, taking account of material

ESG risks and implementing our stewardship responsibilities.

Stewardship

The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to long-term benefits for the economy, the environment and society. It is our fiduciary duty to be good stewards of our clients' capital.

Sustainability

Meeting the needs of the present without compromising the ability of future generations to meet their needs.

Sustainability factors

Aligned with the European Union's (EU) Sustainable Finance Disclosure Regulation (SFDR) definition, sustainability factors is defined as 'environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters'. For the purposes of this document, we use sustainability factors and ESG factors interchangeably.

Sustainable investment

An investment strategy that seeks to invest in companies that meet sustainability criteria or deliver sustainable outcomes through the products and services they provide and/or their business conduct.

Sustainability risk

Aligned with the European Union's (EU) Sustainable Finance Disclosure Regulation (SFDR) definition, sustainability risk means an ESG event or condition that, if occurs, could cause a negative material impact on the value of the investment. For the purposes of this document, we use sustainability and ESG risk interchangeably.

Contact us

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

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Telephone calls may be recorded. For further information please see the Legals notice at www.rlam.co.uk.

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