Meeting the requirements of the **UK Stewardship Code 2020**

Asset owner approach - October 2022

ROYAL LONDON

Championing and delivering effective and transparent stewardship

Our mutual status means we exist to serve and meet the needs of our members and customers and their families. In addition, we are firmly focused on the positive impact we can have on the wider society in which we live and operate. We use our position to seek to influence corporate behaviour and to work productively with the financial services industry and regulators to make a real-world impact for the benefit of our members, customers and society at large.

Our Purpose

Our Purpose is 'Protecting today, investing in tomorrow. Together we are mutually responsible' and this underpins the decisions we make every day. It not only applies to how we run our business but our approach to stewardship and how we consider and engage with all stakeholders.

Our mutuality allows us to take a longer-term view, ensuring we are well placed to invest responsibly, championing positive, enduring change. The consistency and authenticity of this approach provides an ideal platform to create and sustain value through active engagement on environmental, social and governance (ESG) issues.

Protecting the standard of living of this and future generations

Everyone's standard of living is shaped by the environment they live in, as well as their financial position. We have identified three areas where our purpose-driven approach will have specific, measurable impact: supporting customers to build their financial resilience; playing our part in moving fairly to a sustainable world; and strengthening the mutual choice for customers.

We know the move to a sustainable world will require systemic changes that will impact jobs across all industries. That is why we are a strong advocate for a 'Just Transition' to a sustainable low-carbon economy, ensuring social issues are considered and addressed as we move to net zero.

The choices we face, including the urgent response needed to the climate crisis, have never been starker. It is critical we take decisive action and make immediate improvements; changing the things we control directly and influencing others to do the same.

Active stewardship

If we are to meet the challenges in front of us, across government, the financial services industry and broader society, we need to act together and we need to act quickly.

In 2021, we published our climate commitment to halve carbon-equivalent emissions across Royal London's investment portfolio by 2030 and to achieve net zero by 2050. These commitments are based on our 2020 emissions profile and the expectation that governments and policymakers will deliver on their commitments to achieve the 1.5^{0}C temperature goal of the Paris Agreement, while ensuring our actions do not contravene our fiduciary duty to our members and customers.

We will achieve these targets by continuing to transform our asset allocation and portfolio construction but also through our philosophy of actively engaging with the largest contributors to our carbon footprint. We believe that by working with companies to change, rather than simply divesting, we can make the real-world impact needed to deliver the outcomes our members and customers expect.

As a Group, we continue to work collaboratively with industry bodies, including the Association of British Insurers and the Investment Association. We are actively involved with groups focused on key stewardship issues, such as the Institutional Investors Group on Climate Change and Financing a Just Transition Alliance, among others. Collectively, these work to support and influence policy makers to address the systemic change needed to decarbonise the economy sustainably.

Authenticity is a core characteristic of Royal London. We recognise there is a lot of work to do and that we, as a business and industry, can always do better and we are continually striving to do so. The UK Stewardship Code 2020 is an essential tool to help us assess ourselves against the highest stewardship standards and help us to identify and embed continuous improvements.

Barry O'Dwyer
Group Chief Executive

Introduction

Royal London

Royal London Mutual Insurance Society Limited (RLMIS) is the UK's largest mutual life, pensions, and investment company. We look after 8.8 million life and pension policies and have £164bn of assets under management as at 31 December 2021, £124bn of which is held on behalf of RLMIS' members and customers.

Sustained by high-quality propositions and strong customer service, for over 160 years we have helped customers protect themselves and their loved ones against potential life shocks, save for the future, and manage their wealth in later life.

The Royal London Group comprises RLMIS and its subsidiary undertakings. Royal London Asset Management (RLAM), our internal asset manager, manages over 95% of RLMIS' assets. Although RLMIS and RLAM are both part of the Royal London Group, united by our mutual purpose, RLAM is managed separately and is overseen by its own Board.

For governance purposes, as an asset owner RLMIS operates with RLAM as if it were an unconnected asset manager. We subject RLAM's performance to our highest level of oversight, with more rigorous checks than our other external asset managers due to the high proportion of RLMIS assets managed by RLAM. These assessments have satisfied us that RLAM meets the standards we require of all our asset managers, including a high level of responsible investment and stewardship capability. RLAM's Stewardship Report covering their activity in 2021 is available on its website.

Stewardship requirements and Royal London activity

The Financial Reporting Council (FRC) is part of the UK's regulatory framework. It regulates auditors, accountants and actuaries in the public interest and sets the UK's Corporate Governance and Stewardship Code. The FRC define Stewardship as:

"the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

This broad definition, introduced in the 2020 UK Stewardship Code[1] (the Code), goes beyond the traditional view of Stewardship as the act of engaging with investee companies and exercising voting rights.

The 2020 Code built on previous iterations by introducing a range of new requirements, including:

- A focus on engagement activity and outcomes.
- The assignment of responsibilities to asset owners, with limits on delegation.
- The integration of environmental, social and governance (ESG) factors into investment decisions.
- The need for reports to be fair and balanced, with reporting on an 'apply and explain' basis.

In this report we have set out in detail how RLMIS, as an asset owner, complies with the Code across its twelve principles.

1 UK Stewardship Code | Financial Reporting Council (frc.org.uk)

Principle 1 - Purpose, strategy and culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Our Purpose

Protecting today, investing tomorrow. Together we are mutually responsible.

We are driven by our Purpose and we are clear on the impact we want to create to protect the standard of living now and for future generations.

By using our mutuality for good we seek to achieve the following outcomes:

- **Helping build financial resilience:**
  By providing great value investment solutions we help customers to build the financial resilience they need in an ageing society. We want them to accumulate the wealth required to retire well. We protect families against life shocks along the way. We support those in wider society through our social impact activity.
- **Moving fairly to a sustainable world:**
  Using our position as a responsible investor to imagine, invest, engage and influence progress on wider social priorities. We'll achieve net zero in our investments by 2050[2], be a leader on delivering a 'Just Transition', and build sustainability into our operations.
- **Strengthening the mutual choice for customers:**
  As a mutual our longer-term mindset and focus on customer outcomes sets us apart. Royal London will continue to be the leading advocate of mutuality in our sector.

Our Strategy

To be an insight-led, modern mutual growing sustainably by deepening customer relationships.

Our strategy sets out the activities we will undertake to achieve these outcomes.

Having taken clear steps to embed our position as a purpose-driven, customer focused and financially sustainable organisation, we continue to have a strategic focus on making the following shifts:

- **Data-led and digitally nimble:**
  Using data and digital capabilities to respond to our customers' needs and deliver the best possible experience.
- **Broader solutions:**
  Developing services and solutions to meet a broader range of existing and new customer needs and exploring opportunities to innovate.
- **Mutually valued relationships:**
  Building trusted relationships with our customers', employers, financial advisers, and broader stakeholders, helping customers take greater responsibility for their future.

2. This commitment is based on the expectation that governments and policymakers will deliver on the commitments to achieve the 1.5°C temperature goal of the Paris Agreement and that the required actions do not contravene Royal London's fiduciary duty to our members and customers. The commitment is based on our emissions profile of 2020. It includes assets that are controlled by RLMIS and are managed on its behalf by RLAM and excludes segregated mandates managed by RLAM on behalf of its external clients

Delivering these shifts will support us to help build financial resilience, play a role in moving fairly to a sustainable world, and continue to champion the mutual choice.

Our Business

Products and distribution

We offer long-term savings, protection and asset management propositions in the UK, and protection propositions in Ireland.

A significant proportion of our business is distributed through intermediaries: financial advisers (brokers in Ireland), aggregator platforms and the enrolment of employees into employer workplace schemes.

Financial resilience

Responsibility for funding later life has shifted from government and employers to individuals. We want to help our customers build their financial resilience. We help them to save for the future and to protect themselves and their families in times of ill-health or bereavement, assisting them in making confident financial decisions. We provide further details on how we understand and seek to meet customer needs in Principles 4 and 6.

Culture and values

Our culture is reflected in our values. Our Group values are to: empower colleagues; encourage collaboration; be trustworthy; and achieve. Together our values help make Royal London a rewarding and enjoyable place to work. We champion the unique strengths of all our colleagues.

Our mutuality

Our mutual status means that when Royal London Group does well, so do our members. All the profit we make is either returned to eligible customers through our ProfitShare scheme or reinvested in the business to enhance the quality and security of the services we provide.

Most Royal London Group employees are Royal London members through our in-house pension arrangements, consistent with those offered to the external market. As a result, employees have an additional incentive and alignment to ensure we meet our purpose-driven objectives.

Colleagues enrolled in our in-house pension arrangements are encouraged to take an active part in our Annual General Meetings as Royal London members and vote on resolutions that ensure the interests of RLMIS are aligned with those of its members.

Our asset manager

We invest across a range of asset managers on behalf of our customers and members. A high proportion (over 95%) of our investments are managed by RLAM.

RLAM is an integral part of the Royal London Group, with its direction driven by our shared Purpose. As one of the UK's largest asset managers, RLAM provides the scale and capability to support our competitive, value-for-money solutions. Consistent with this, RLAM is clear and transparent with their third-party clients regarding the benefit of our shared Purpose, combined with its own operational management and governance.

RLAM undertakes stewardship and engagement activity on our behalf, subject to certain reserved rights, as well as for RLAM's external clients. RLAM has championed responsible investment since 1988 and is a long-term supporter and signatory to the UK Stewardship Code. RLAM's 2021 asset manager Stewardship Code report is available here.

Investment Philosophy and Beliefs

Our Purpose, strategy and culture drive our Investment Philosophy and Beliefs, which we updated in 2021 and led to the creation of our Stewardship & Engagement, Exclusions, and Voting policies.

Through our Investment Philosophy and Beliefs we recognise our customers' objectives and risk profiles, investing in well-diversified and actively managed portfolios. Our Investment Philosophy can be summarised as:

We will seek to optimise long-term risk adjusted investment returns for our customers in a sustainable way, recognising that our customers will live in the society we mutually help to create.

Our investment beliefs, which have been informed by customer research, shape how we invest and influence our investment processes. These may be summarised as:

Protecting today

- We believe our customers want to know where their money is invested and the impact that it has on the world around them.
- We believe combining different sources of return can reduce overall portfolio risk.

Investing in tomorrow

- Our customers rely on us to invest their money prudently and protect value over the long term. Wherever possible we seek to align our investment strategy to reflect customers' investment horizons.
- We believe that over the long-term, the most significant risk/return optimisation factor is the strategic asset allocation.
- We believe the appropriate investment style for a region, asset class, sector or theme may change over time.
- We believe the best future for our customers is one where we collectively achieve the goals of the Paris Agreement and that actions taken in the next ten years will determine the shape of the century to come.

Together we are mutually responsible

- We believe transparency is essential to enable trust, in us and the wider financial system.
- We believe we should act as a responsible steward of the assets we invest in on behalf of our customers, who rely on us to *invest responsibly*. By which we mean:
- Embedding externalities such as Environmental, Social and Governance (ESG) considerations into our investment decisions; and
- Positively influencing the change that needs to happen in the economy and society through strong stewardship and by supporting the capital investments necessary to drive the transition toward a low-carbon economy.

The measures we have identified to track progress towards achieving the 'moving fairly to a sustainable world' element of our Purpose are set out in our climate commitments, found on our website.

We describe our customers' needs in more detail under Principle 6 (Client and beneficiary needs).

Principle 2 - Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

Governance

We operate a governance framework that facilitates efficient, effective and transparent decision-making. Our committee structure is set up to make sure appropriate expertise and diverse opinions are engaged in managing and overseeing our affairs.

The Royal London Board is responsible for promoting the long-term sustainable success of the Group in a manner that seeks to generate value for our members whilst taking account of the interests of all its stakeholders, including the impact it has on the environment and its contribution to wider society.

The Board delegates to the Group Chief Executive Officer (CEO) the day-to-day management of the Group to achieve its Purpose and to implement its strategy and objectives in line with its culture, values and ethical and regulatory standards.

The Board Investment Committee supports the Board in discharging its responsibilities regarding investment matters, in a manner consistent with our Investment Philosophy and Beliefs. The Board Investment Committee reviews, approves or makes recommendations to the Board and other Board Committees in relation to:

- compliance with the RLMIS investment risk framework;
- terminations or appointments of material asset managers, fund managers or investment service providers;
- the asset classes used for investment, including any proposed investments outside of approved asset classes;
- strategic asset allocation decisions and the RLMIS Strategic Asset Allocation Framework; and
- the performance of asset managers, fund managers or investment service providers.

Other committees relevant to stewardship activity include:

- The Independent Governance Committee (IGC), which acts independently to assess the ongoing value for money provided by RLMIS for workplace pension customers and investment pathway customers. The IGC's remit includes consideration of environmental, social and governance factors that are material to the suitability of an investment.
- The With Profits Committee (WPC), which advises the Board in considering the interests of all policyholders with an entitlement to a share in profits. Given our mutual status, the WPC plays a key role in stewardship.
- The Investment Advisory Committee (IAC), which comprises five pensions and investment experts including the Chief Investment Officer of RLAM, the Group Investment Director, an Independent Chairperson and an Independent Representative. The IAC advises management, with a focus on the proposition design and performance of our Governed Range. This provides impartial challenge and clarity of thought to address issues and identify opportunities and solutions, ensuring the continuous improvement mindset needed to deliver our Purpose.

Full terms of reference of the Board and all its committees are available on royallondon.com.

All governance committees must demonstrate that they take stakeholder and environmental, social and governance considerations into account. A mandatory template, prescribed in Board and committee paper templates, acts as a tool to embed these key considerations in day-to-day decision making.

A snapshot of 2021 stewardship governance activity

In 2021 the Board Investment Committee reviewed our Investment Philosophy and Beliefs and related policies, augmenting these to reflect a greater focus on responsible investment, stewardship, and engagement.

Our Investment Philosophy and Beliefs were then reviewed and approved by our Board along with our renewed Purpose and strategy, including the Group climate targets.

The Board Investment Committee continues to drive and monitor the embedding of our renewed Purpose and strategy into investment activities. Over 2021 this included transitioning £23bn of passive equities to climate and ESG-tilted equity solutions and the seeding of two new RLAM funds focused on climate and sustainability objectives, as discussed further under Principle 7 (Stewardship, Investment and ESG Integration).

Our relationship with RLAM

RLAM is a wholly owned subsidiary of RLMIS. The RLAM Board is required to act in a manner most likely to promote the success of RLAM for the benefit of RLMIS. This is consistent with ensuring that RLAM's external clients are treated fairly.

Resources

RLMIS's focus on stewardship, including responsible investment and engagement activity, is reflected in our development of internal capability and expansion of resources in these areas. This includes collaboration with RLAM to help bolster stewardship-related activity across the Group.

Building our internal capability

While stewardship has always been an important consideration for Royal London Group, since 2019 we have prioritised stewardship activity and increased its visibility across the business. We have placed responsibility and sustainability at the core of our re-defined Purpose, and are committed to consistently and measurably aligning our activities to this Purpose.

Within RLMIS a dedicated investment oversight team (the Investment Office) undertakes key stewardship activities, holding responsibility for monitoring the performance of RLAM and other asset managers across operational, investment performance and responsible investment pillars. This oversight activity is carried out under our Asset Manager Oversight (AMO) framework. The AMO framework also includes structured oversight of asset managers' adherence to relevant RLMIS policies, including: our Stewardship and Engagement Policy; our Exclusions Policy; and our voting principles and internal voting guidelines. Further information on our asset manager oversight activity is provided under Principle 8 (Monitoring Managers and Service Providers).

More widely, our Investment Office is tasked with: monitoring regulatory developments relevant to investment matters; determining our investment philosophy; developing investment strategy; setting strategic asset allocations for our multi-asset propositions; and implementing investment changes on behalf of our customers.

To support our delivery of effective stewardship outcomes, in 2019 our Investment Office allocated significant resources to a 'Responsible Investment and Climate Change' programme. Working with stakeholders from across the Royal London Group, our Investment Office targeted a range of objectives including enhancing the mechanisms for monitoring asset managers' activities and the Group's overall stewardship arrangements. The programme, sponsored by our Group Chief Financial Officer, also monitored and responded to changes in legislation and regulation relating to the climate crisis. This included the interrogation of options for decarbonising our investment portfolio.

Core functions in RLMIS outside the Investment Office also allocated resources and provided specialist expertise over 2021 to support delivery of Responsible Investment and Climate Change outcomes. This included: the Group Actuarial team, which conducted climate scenario stress testing to assess the impact of the climate crisis on our funds and capital position, and to address regulatory expectations; and Group Risk & Compliance specialists who embedded climate change into the RLMIS risk management framework.

Alongside the Responsible Investment and Climate Change programme, over 2021 the Investment Office embedded responsible investing into our refreshed Investment Philosophy and Beliefs, as described under Principle 1 (Purpose, Strategy and Culture). These in turn drive well-aligned RLMIS asset owner investment activity throughout our value chain, optimising customer and member outcomes from our strategic asset allocation, proposition and marketing activity to compliance, risk and asset manager oversight.

In 2021 we approved the creation of a number of permanent roles to support delivery of sustainability and stewardship-related outcomes within a new Group Sustainability and Stewardship (GSS) team. This team was established from January 2022 within our CEO Office and is staffed by seven full time colleagues. The GSS team works closely with stakeholders across the Group to progress and embed best practice sustainability and stewardship activity throughout the business. Our collaborative decentralised approach helps drive all areas of the business to understand and fully integrate these key issues into their day-to-day and strategic planning activities.

In addition to the activity listed above, outcomes from the Responsible Investment and Climate Change programme included: the formal introduction of a Responsible Investment component to our Asset Manager Oversight framework; the development of an Exclusions Policy; the development of a set of voting principles and internal voting policy guidelines; and the development of the Royal London Sustainability Learning Programme.

The Royal London Sustainability Learning Programme

Our Sustainability Learning Programme, developed in collaboration with the University of Edinburgh Business School, was agreed and approved in 2021 with planned delivery for 2022. The course will initially target c.180 employees whose roles impact our stewardship activities. The course will be a key tool for embedding climate and sustainability-related considerations into employees' roles.

The course covers four topics: (1) the role of financial services in supporting a thriving society by providing services that meet consumer needs; (2) the responsibility of individuals in addressing the climate and sustainability crisis and the need to embed this in everyone's roles across RLMIS; (3) climate change fundamentals on the 'what' – terminology, emissions sources and measurement, climate scenarios, mitigation and adaptation; (4) climate change fundamentals on the 'how' – ESG data, modelling, investment decision-making and portfolio analysis.

Live sessions and an interactive forum allows colleagues to interact and share ideas and lessons learned. Attendees have been asked to set clear goals for 2022 aligned to our Group climate targets.

Additional stewardship resource investments

Expanding data capabilities to improve oversight

We have appointed MSCI and Asset Q as data providers to enhance our asset manager monitoring capability.

Allocating resource to MSCI Climate Change data and MSCI ESG Fund Rating data, with relevant colleague training, supports our assessment of portfolio carbon exposures and monitoring of asset manager exclusions.

The purchase of Asset Q data has allowed us to improve our asset manager due diligence onboarding process and refine our approach to asset manager oversight.

Scenario Modelling

Over 2021 we engaged an external consultancy, Ortec Finance, to assist in carrying out the Bank of England's recommended Climate Biennial Exploratory Scenario analysis, which included the modelling of three climate scenario pathways. This analysis helped us translate climate pathways into potential business model impacts and test our resilience, including likely effects on customers' investment portfolios. Details on the outcome from this analysis are given in Principle 4 (Promoting Well-Functioning Markets).

We also engaged Moody's Analytics from 2021 to provide economic scenario modelling outputs to support future Strategic Asset Allocation activity, including related climate scenario stress testing.

Performance management and reward

Bonus schemes

Royal London Group has an incentive framework that focuses activities on delivery of key strategic objectives. The framework includes a Short-Term Incentive Plan (STIP), which applies to both RLMIS and RLAM employees, and a Long-Term Incentive Plan (LTIP) applying to certain members of the Group Executive. Both are based on a set of targets and metrics approved and monitored by the RLMIS Remuneration Committee. These targets and metrics are based on scorecards that track delivery of key outcomes.

The STIP and LTIP are grounded in our Purpose and help instil behaviours that contribute to delivering long-term sustainable value for our members and other stakeholders.

Principle 3 - Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

Royal London Group is committed to meeting the highest standards of personal and corporate ethics in all its activities.

Our Conflicts of Interest (CoI) Policy applies to all employees, directors and non-executive directors when they are acting for, or on behalf of, any of the Group's companies. The CoI Policy also applies to any other individuals operating on behalf of the Group, for example consultants, contractors and agency workers.

The CoI Policy requires each of the above to take reasonable steps to identify and manage conflicts and always act in the best interests of our customers. This includes the need to ensure transactions are effected on terms that are not materially less favourable to our customers than if an identified conflict had not existed. Failure to declare an interest is regarded as misconduct and may lead to disciplinary action.

We recognise that the Group may encounter a range of conflicts. Potential stewardship conflicts addressed by our CoI Policy include, but are not limited to:

- Royal London individuals having vested interests outside of the Group e.g. a Board or committee member has a role at a company we invest in, or a key supplier.
- RLMIS investing in clients e.g. a pension client or a supplier.
- Interactions between Group companies e.g. between RLMIS and RLAM.

Board members are required by law to avoid situational conflicts of interest (or have these authorised by the Board if the conflict is unavoidable). The Board reviews the interests of the directors and authorises any interests that conflict, or potentially conflict, with the interests of the Group. In addition, at the start of each Board and Board committee meeting members are reminded to disclose any conflicts of interest, having had a chance to consider the meeting agenda.

The Board periodically reviews conflict authorisations to determine whether the authorisation given should continue, be added to, or be revoked by the Board. When the Board authorises a conflict of interest, it will do so on the basis of mitigating controls such as recusal from Board discussions that relate to the situational conflict.

The risk of conflicts arising from RLMIS investing in its clients (eg employers with a Royal London Group Personal Pension arrangement) is mitigated by delegating our investment decisions to our asset managers. With the exception of cases where employers or pension scheme advisers request specific RLAM input, we do not share our client information with asset managers. This reduces the risk of our asset managers having visibility that could influence decision making. Our asset managers, including RLAM, also have their own conflict of interest policies, which further reduces the conflict of interest risks.

Conflicts arising from interactions between Royal London Group companies are managed via our board arrangements. As discussed under Principle 2 (Governance, resources and incentives), RLAM is a wholly-owned subsidiary of RLMIS with clients external to the Royal London Group. To help manage this potential conflict, RLMIS conducts a triennial review of its arrangement with RLAM, including consideration of its investment philosophy, investment performance, capabilities, fees, resources and client management. The roles of the IGC and WPC are also relevant in managing this potential conflict for customers under their remit.

In addition, our Procurement and Third-Party Management Policy includes arrangements for managing risks associated with intra-Group arrangements, such as the one between RLMIS and RLAM. This policy requires the appointment of a Relationship Owner which, in the case of the Group's relationship with RLAM, is the Investment Office Head of Oversight.

As a result of our shared Purpose and aligned interests RLAM carries out key stewardship activity on behalf of the Group. While this relationship needs to be carefully managed, co-operation between RLMIS and RLAM enhances our shared capabilities and benefits RLMIS customers. More detail on stewardship activity RLAM has undertaken on behalf of RLMIS is provided under Principles 4, 9, 10 and 12. An explanation of how RLMIS oversees stewardship activity undertaken on its behalf is given under Principles 8 and 11.

Managing stewardship conflicts

We aim to ensure that potential conflicts are identified and managed in the best interests for our clients and members. Potential conflict management approaches include, but are not limited to, the following functions and policies:

- Our Investment Office direct interactions with RLAM through the RLAM Strategic Partnership team, which is dedicated to managing the RLMIS/RLAM relationship.
- The RLMIS triennial review of its arrangement with RLAM, as described above.
- Our Seeding policy e.g. RLMIS seeding new RLAM funds. Further information on our seeding activity is addressed in Principle 7 (Stewardship, Investment and ESG Integration).
- The Material Outsourcing policy stipulates our requirements for employees managing material contracts. This includes making sure services are delivered in line with contracts, agreements and stewardship expectations.
- The AMO Framework oversees the performance of our asset managers. It is applied consistently across asset managers with enhanced requirements established for RLAM which manages c.95% of our assets. Further information is provided in Principle 8 (Monitoring Managers and Service Providers).
- The RLMIS Voting Policy sets out how we expect our asset managers to vote on resolutions in company holdings managed on our behalf. More information on our Voting Policy is set out under Principle 12 (Exercising Rights and Responsibilities).

Principle 4 - Promoting well-functioning markets

Signatories identify and respond to market wide and systemic risks to promote a well-functioning financial system

Risk management at Royal London

Effective risk management is fundamental to our Purpose, delivering our strategy, serving our customers and growing our business safely.

The Board with the support of its Risk and Capital Committee is responsible for the Group's risk management and internal control system, and for reviewing its effectiveness. The system is designed to manage and mitigate risks to achieving our business objectives. Our risk appetite defines the level of risk we are willing to take, aligns to our Group Purpose and strategy, and is approved by the Board.

Employees at all levels have risk management responsibilities, defined by the 'three lines of defence' model described in Principle 5 (Review and Assurance). In particular the management of each business unit and Group function is accountable for identifying, measuring, reporting, managing and mitigating all risks relevant to its area of business. This includes the design and operation of suitable internal controls and the allocation of risk and control responsibilities.

Effective risk management aims to address the significant risks we are exposed to, so that our business remains sustainable and continues to serve our customers.

Market wide and systemic risks

The early identification of risks – including those emerging from developments in the external environment, such as regulatory or political changes – is a key part of the risk management system. This includes an assessment of likelihood and potential impact to enable us to fully understand the scale of a threat.

We monitor new and evolving external risk exposures and in 2021 considered the following to be principal market-wide and systemic risks to our stewardship of our customers and members' investments:

- **Covid-19 impacts**
  While measures such as vaccination programmes and the easing of restrictions have reduced some volatility, over 2021 there was continued uncertainty relating to the scale and timing of potential risk exposure from external Covid-19 developments.
- **Climate change**
  Over 2021 we monitored and managed the risks the climate crisis could pose to the Group and to our propositions.
- **The economy and Royal London's key markets**
  We review our business to ensure we have plans in place to tackle today's challenges – over 2021 this included market volatility, changing socio-economic trends, business resilience e.g. cyber risks, and geopolitical risks such as those related to war in Ukraine.
- **Changing political and regulatory environment**
  Uncertainty relating to the impact of the UK's withdrawal from the EU was a key factor reflected in our 2021 political and regulatory environment principal risks and uncertainties.

Our principal market-wide and systemic risks will continue to evolve beyond those listed above in respect of 2021. Over 2022 we will regularly consider the rapidly evolving universe of external risks, such as war in Ukraine, political volatility, oil and gas supply, and the deepening cost of living crisis. We will continue to identify risks impacting customer outcomes and take action to support their interests.

Responding to trends in a fast-moving world

To help build financial resilience amongst our customers, in line with our Purpose, over 2021 we identified the following key risks and stewardship-related actions.

Covid-19

Throughout 2021 the pandemic continued to create turbulence in all of our lives and throughout our markets. Looking after our members, customers, colleagues, independent financial advisers, and other stakeholders is our priority.

We responded quickly to support our customers, colleagues and communities through a range of measures.

Our focus on financial resilience is highly relevant in a Covid-19 world. In the early part of 2021 bereavement claims were double our normal winter peak levels. We prioritised resource to ensure we supported customers in making their claims.

As the economy recovers it remains uncertain what the 'new normal' will look like for many sectors; we will continue to support advisers and customers to adapt to these changes.

We have seen the Covid-19 pandemic disproportionately impact the most vulnerable in our society.

The cost of living crisis

Across all parts of the UK there continues to be concern over the rising cost of living and our children's prospects. The most vulnerable in society are increasingly concerned about their financial resilience, including job security and paying their bills.

In 2021 we put in place a premium deferral option to help support customers struggling with rising costs. This initiative allows certain customers to pause premiums for up to three months. At the end of three months, cover can be reduced if affordability continues to be a challenge or the level of pre-existing cover could be maintained if premiums are repaid.

We have also been active in highlighting in the media the additional costs that families are facing, including explaining the impact of rising energy bills, which can potentially affect the decisions they make about short-term and long-term savings.

Financial Resilience

Our population is getting older and many people lack the means to support themselves in retirement in the way they would like. This coincides with a climate crisis that is damaging the world into which they will retire. RLMIS is focused on the actions we need to take to help our customers protect their standard of living and we believe that decisive action is needed now more than ever.

Standards of living are shaped by individual finances and the environment we live in. Financial products are important because they allow customers to invest and grow their money and protect themselves against life shocks such as ill-health or the loss of a loved one. However, people need more than just products. They need help and support to make confident and effective choices.

We champion impartial advice as we believe this is the gold standard and we are strong advocates for the benefits it provides. We work in partnership with impartial financial advisers, and we are increasingly using technology to scale the provision of financial advice, making it more available and more affordable.

However, the cost of impartial advice means it is not right for everyone. We therefore focus on providing support and guidance in a range of ways, including helping people who are saving to make informed and confident choices, and through our charitable partnerships. Our flagship partnership with national charity Turn2us supports millions of families in financial crisis. Our Changemakers programme promotes social enterprise, transforms lives and creates opportunities for employment, improving financial resilience. More information on these initiatives may be found in our 2021 Annual Report and Accounts (ARA)

Climate change mitigation

The United Nations' International Panel on Climate Change (IPCC) has highlighted that the climate crisis is a threat to both human wellbeing and the health of the planet. Despite this climate crisis, they say the actions being taken globally are insufficient to meet the goals of the Paris Agreement.

To minimise the risk of international action not achieving the goals of the Paris Agreement, transformational action is essential, with clear policies that support and incentivise investment in the green economy and account for the environmental costs of high-carbon activities.

With more than £2 trillion invested in UK pensions, our industry plays a crucial role in the transition to a low carbon economy.

We are a founding signatory of the Institutional Investors Group on Climate Change (IIGCC) net zero commitment. We have a long track record as a responsible investor, and actively engage with companies we invest in to influence them to transition to a sustainable world while considering the impact of this transition on society.

In 2021 we committed to achieving net zero across our investment portfolio by 2050, with an interim target of halving our financed emissions by 2030 (relative to our 2020 position). These commitments are based on the expectation that governments and policymakers will deliver on the commitments to achieve the 1.5⁰C temperature goal of the Paris Agreement and that the required actions do not contravene our fiduciary duty to our members and customers. Our commitment includes assets that are controlled by RLMIS and are managed on its behalf by RLAM and excludes segregated mandates managed by RLAM on behalf of its external clients.

Our portfolio emissions targets complement the 68% reduction we achieved in our direct operational emissions (scope 1; benchmarked against 2019) up to 31 December 2021, well ahead of our 2025 target of a 60% reduction.

We build on these commitments through our Stewardship and Engagement policy which outlines how we evidence our commitment to responsible investment by: actively exercising our rights as asset owner; apprising key asset managers (including RLAM) of our priority engagement themes; and reserving the right to decide on the exclusions that are important to our customers.

As an example of activity undertaken over 2021, RLMIS worked with RLAM to support active and focused engagement with the utility sector, focussing on the top ten carbon emitters in our portfolio and the need for a Just Transition (i.e. ensuring climate action supports an inclusive economy, is socially responsible and avoids exacerbating existing or creating new injustices). This multi-year engagement resulted in six major UK utility companies publishing Just Transition plans in 2021. See Principle 9 (Engagement) for more detail.

In August 2021 we reduced the intensity of carbon emissions (i.e. tonnes of greenhouse gas emissions per £m invested) from equity funds across our core pension offering, through embedding ESG practices more deeply. More detail on our equity fund changes is given in Principle 7 (Stewardship, Investment and ESG Integration).

As well as engagement through RLAM and other asset managers, as an asset owner we collaborate with other institutional investors, leading and participating in industry forums and initiatives relating to market wide and systemic risks. See below and Principle 10 (Collaboration) for more detail on this activity.

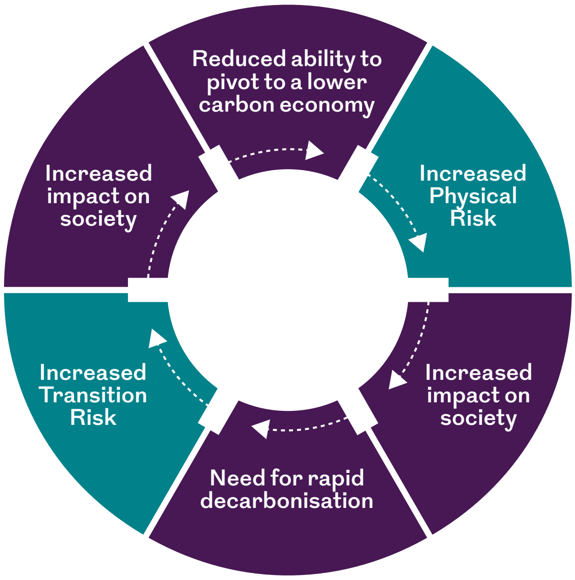
The details of our targets and broader approach to climate change are set out in more detail in our ARA and our Investing for a Sustainable Future report.

Climate change risk management

To support our assessment of customers' and members' exposure to climate risks, we have incorporated climate change risk within our strategic risk framework and our Own Risk and Solvency Assessment (ORSA). Climate-specific risks are typically grouped into two categories, Physical and Transition, which we describe in the table below:

Climate risk category	Description	Sub-category	Sub-category description
Physical	Risks related to the physical impacts of climate change	Primary	Damage to land, buildings, stock or infrastructure owing to physical effects of climate-related factors, such as heatwaves, drought, sea levels, ocean acidification, storm or flooding.
		Secondary	Knock on effects of physical risks, such as failing crop yields, resource shortages, supply chain disruption, as well as migration, political instability or conflict.
Transition	Risks related to disorderly adjustments to markets as a result of the transiltion to a low carbon economy.	Policy	Including carbon pricing, emission caps and subsidies
		Market	Including the emergence of disruptive green technologies and changing consumer behaviours.
		Reputation	Stakeholder expectations to address climate change.

The Physical and Transition risks arising from climate change and society's reaction to it are interdependent, as illustrated in the diagram below:



Our largest exposure to climate change risks is the impact they may have on the assets we manage for our customers and members. To help manage these risks we have embedded climate risk evaluation into our Strategic Asset Allocation (SAA) process and have moved the passive equity portfolios in our Governed Range to tilted funds. More information on our approach to reducing systemic risk exposure through our investment approach is provided under Principle 7 (Stewardship, Investment and ESG Integration).

We have taken steps to develop our understanding of the possible impacts of climate risk by carrying out climate scenario analyses to assess the impact of climate risks on our funds. Our analysis tells us the impact of climate change is likely to lead to a range of negative economic and social impacts of varying severity, depending on the climate scenario assessed, with impacts varying both across and within sectors. These outcomes reinforce the rationale for the investment changes described above. More detail on this assessment may be found on our website.

The outcomes from this modelling allowed us to voluntarily participate in the Bank of England's Climate Biennial Exploratory Scenario stress tests and extend the assessment of climate risks and opportunities within our ORSA submission, as further described below, thereby supporting the regulator in building its understanding of climate risks faced by the UK financial sector.

To support the embedding of climate-related risk management across the Group, over 2021 we adopted a climate risk appetite statement with associated metrics, as described in Principle 5 (Review and Assurance). We also helped develop responsible investment education for financial advisers, described further under Principle 10 (Collaboration)

Our involvement in industry initiatives

We are committed to working with our peers in the financial sector, the companies we invest in and policymakers to play our part in enabling a Just Transition to a low carbon economy. We lead and participate in various collaborative industry forums.

Association of British Insurers (ABI)

One of the most important outcomes from our industry collaboration over 2021 was the development of the Association of British Insurers (ABI) Climate Change Roadmap which identifies constraints the industry faces to unlock investment in the transition to a net zero economy.

As President of the ABI and Climate Change Lead our CEO represented Royal London at the ABI Climate Change working Group, and was instrumental in launching the Climate Roadmap. Our CEO also attended events at the COP26 UN Climate Change conference, speaking at events such as 'Stewardship in the Climate Era' and a 'Net Zero Pension Summit'.

Climate and Financial Risk Forum (CFRF)

We support the development of new funds such as those being considered by the Treasury through its Long-Term Asset Fund initiative. However, the development of new financial products alone will not be sufficient. RLAM, acting on behalf of the Royal London Group, contributed to output from the Climate and Financial Risk Forum (CFRF) Innovation Working Group that reiterated this sentiment. The CFRF Innovation industry guide, supported by RLAM, found that to mobilise financial capital at a scale and speed not previously seen, there needs to be an evolution in how investors make capital allocation decisions. The guide recommended this would be necessary to deliver solutions that enable the transition of real economy systems – energy, buildings, transport, land use and industry.

In addition to RLAM's contribution to the above, RLAM's participation in the CFRF Disclosures working group supported the CFRF's 2021 Disclosure industry guide, on behalf of the Group.

Bank of England's Climate Biennial Exploratory Scenario

During 2021 we voluntarily participated in the Bank of England's Climate Biennial Exploratory Scenario analysis exercise. The purpose of the Bank of England's exercise was to:

- size the financial exposures of participants and the financial system more broadly to climate-related risks;
- understand the challenges to participants' business models from these risks;
- gauge their likely responses and the implications this carries for the provision of financial services; and
- assist participants in enhancing their management of climate-related financial risks.

For this to be successful, active participation is needed from financial services firms and so RLMIS participated to actively support the Bank of England in achieving these industry-wide assessments.

A detailed report on the findings from our climate pathway analysis was disclosed to the Prudential Risk Authority (PRA) as part of our 2021 ORSA submission. Consistent with our assessment of other uncertainties facing RLMIS and our customers, this report included a mix of quantitative and qualitative analysis on the potential impacts to our business lines, strategy, and financial planning, over the short, medium and long terms.

This qualitative and quantitative analysis of the potential impacts across a range of future climate pathways has driven forward our thinking on climate impacts over short, medium and long timeframes, in turn supporting the development of our investment and business strategies with a view to mitigating these risks while maximising opportunities.

Our findings indicate that increasing temperatures and/or a disorderly transition led to a range of negative economic and social impacts of varying severity, depending on the pathway that is assumed. However, we did find the impacts of market shocks on the RLMIS capital coverage position would likely be dampened by equity hedging in place in our Main Fund.

We will refresh our modelling of the impact from these scenarios on an annual basis, keeping the chosen pathways and assumed systemic impacts under review as policy, climate science and industry thinking evolve.

British Standards Institute (BSI)

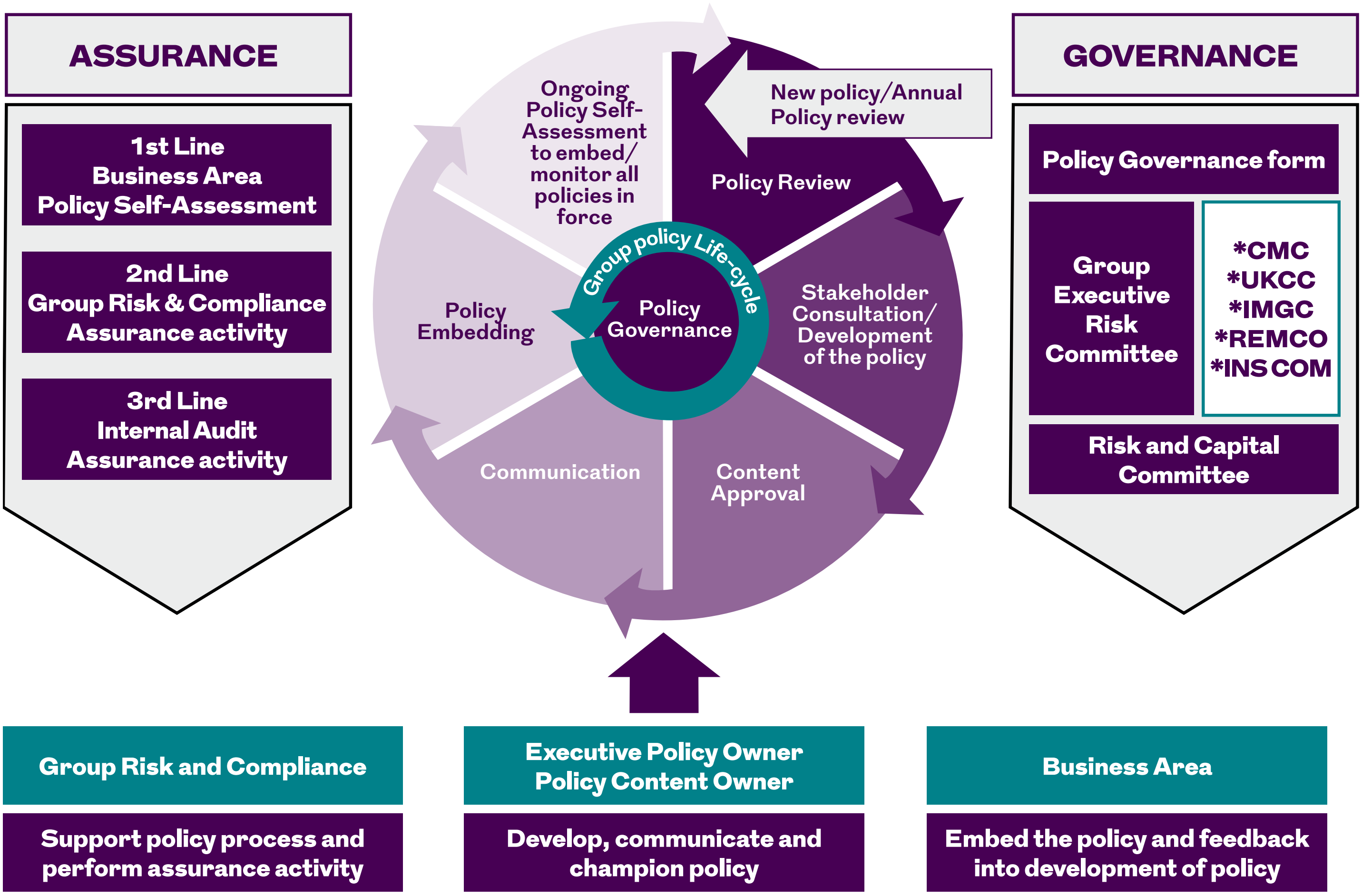
We supported the British Standards Institute (BSI) by sponsoring and participating as a steering group member for the development of sustainable fund standards.

Further information on collaborative initiatives are discussed in Principle 10 (Collaboration).

Principle 5 - Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Our policy framework forms part of the Risk Management System maintained by the Group Risk & Compliance function.



* Capital Management Committee - CMC * UK Customer Committee - UKCC * Internal Model Governance Committee - IMGC
* Remuneration Committee - REMCO * Insurance Risk Committee - INS COM

Policy review process

The Group policy framework applies to the entire lifecycle of a policy including development, consultation, approval, communication, embedding and effectiveness review.

Each policy is owned by a member of the Group Executive, who is accountable for the policy being embedded in the business and reviewed in line with the annual review process, set and monitored by our Group Risk & Compliance function. Policies have local Policy Content Owners responsible for the day-to-day embedding and assessment of effectiveness of the policy implementation.

All policies must be reviewed by their respective owners in line with the policy's established life cycle. Annual reviews ensure all activities undertaken by RLMIS align with our policies. Triennial reviews ensure policies are aligned with regulatory expectations and industry standards. In combination these reviews allow owners to ensure their policies remain relevant and up to date, and that related processes are improved on a continuous basis.

Policy owner reviews consider:

- new regulation or legislation;
- relevant findings from audit or compliance reviews, or self-assessments;

- feedback from the business on challenges in embedding the policy; and
- changes to the Group's risk appetite framework, including risk appetite statements

Reviews include consultation with relevant stakeholders and a detailed review from our Group Risk & Compliance function.

Stewardship & engagement policy review outcomes

The RLMIS Stewardship & Engagement Policy, incorporating our Exclusion Policy and Voting Policy, was established in 2021. We also updated our Investment Philosophy & Beliefs in 2021 to reflect our refreshed Purpose. These changes were approved by the Board Investment Committee in May 2021.

Our Stewardship & Engagement Policy, Exclusions Policy and Voting Policy set out the principles we apply as an asset owner and the responsibilities we retain, including:

- the definition of our engagement priorities;
- the frequency with which they are reviewed;
- the approach we take to collaborative engagement;
- the activities we delegate to asset managers; and
- our expectations of asset managers.

The update to our Stewardship & Engagement Policy addressed the implementation of the Shareholder Rights Directive in line with the Financial Conduct Authority (FCA) policy statement PS19/13 on *Improving shareholder engagement and increasing transparency around stewardship*. The update also reflected the expectations of the UN Principles for Responsible Investment (UN PRI), requiring disclosures on the extent to which responsible investment policies are in place.

Implementing climate change risk appetite

As part of our 2021 policy review process we identified the need to develop a new risk appetite statement specific to climate change risks. Once established this led to the monitoring and measurement of climate risks against tolerances set with respect to progress toward our portfolio and operational climate targets.

Three lines of defence and control framework

We recognise the importance of internal and external audit and operate a 'Three lines of defence' model that defines ownership and responsibilities for all risks, including those directly relating to stewardship.

- 'First Line' business units and Group functions have primary responsibility for managing risks. In line with our Group risk management framework, all business areas must attest to the design and effectiveness of their controls twice a year. This includes business units and Group functions with stewardship responsibilities. Executive management manages the risks affecting their areas of responsibility.
- Our 'Second Line' is our Group Risk & Compliance function, independent from business units and Group functions. The Second line provides specialist advice, oversight, challenge and assurance. This includes assessing adherence to relevant internal policies and external regulation.
- A Group-wide internal audit function, Group Internal Audit, represents the 'Third Line'. This provides independent assurance and has a reporting line independent of executive management.

All three lines of defence were active in the 2021 Stewardship & Engagement policy review, update and implementation.

External assurance

We are in regular discussions with our internal auditors, external auditors and other external providers to consider our stewardship-related assurance requirements, taking into account the evolving ability of these independent third parties to provide suitable assurance.

Review of our Stewardship Report

This inaugural Stewardship Report was produced by the Group Sustainability & Stewardship (GSS) team in conjunction with relevant business areas. The process included the following review steps:

- Review and approval from the Board Investment Committee;
- Review by relevant members of our Group Executive Committee and other members of senior management;
- Second Line review by our Group Risk & Compliance function; and
- External support from EY's Sustainable Finance Transformation team.

Principle 6 - Client and beneficiary needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Who are our customers?

We seek to deliver the dual outcomes of supporting our customers' financial resilience, while also delivering a fair transition to a sustainable world. This ambition requires us to understand our customers' time horizons, perception of risk and sustainability preferences. Only by understanding and balancing these customer needs can we fulfil our duty to optimise risk-adjusted term-appropriate investment returns in a responsible way.

Our stewardship approach is therefore underpinned by an understanding of the needs and wants of our 8.8 million life, pension and protection customers across our propositions for UK & Ireland. These customers are predominantly retirement savings and long-term protection policies as shown in the breakdown below.

Long-term savings	UK Protection	Long-standing customers[1]
• Workplace Pensions • Individual Pensions • Annuities	• Life insurance • Illness and Income Protection • Business Protection	• Pensions • Annuities • Protection
1,880,000 Policies	1,114,000 Policies	5,320,000 Policies

Ireland Protection	Collective investment funds and segregated mandates
• Life insurance • Illness and Income Protection • Business Protection	• Equities • Fixed Income • Multi-asset • Private-asset
475,000 Policies	£164bn AUM[2]

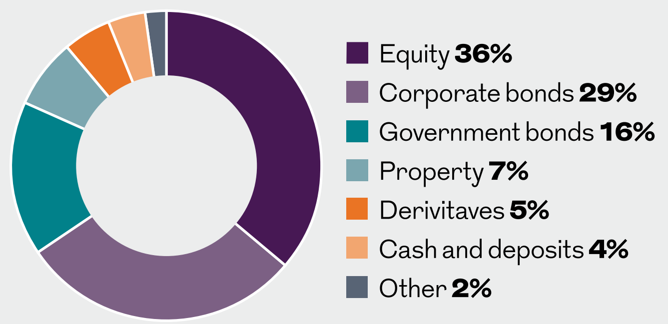
(as at 31 December 2021)

Most of our pension customers are either in Workplace Pensions (Group Personal Pensions) or Individual Pensions, which are defined contribution schemes. Our products do not include Master Trusts. A small number of long-standing products are held by defined benefit pension schemes.

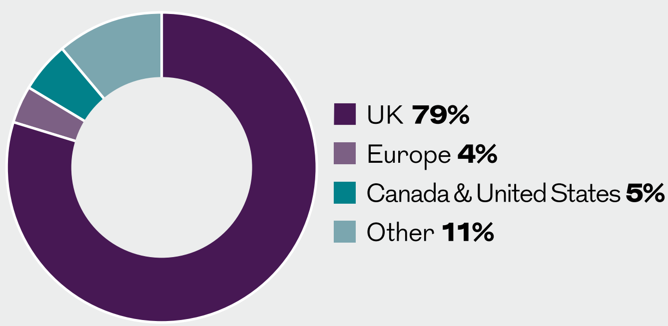
As of December 2021 we were supporting approximately 20,000 employers with their Workplace Pension schemes and over 1.5 million customers were saving through an RLMIS a Group Personal Pension arrangement.

We invest £124bn on behalf of RLMIS customers (as at 31 December 2021), across a variety of asset classes and geographical locations as highlighted in the charts below.

RLMIS Assets by Asset Class



RLMIS Assets by Geography



1 Includes customers invested in funds closed to new business.
2 Includes external assets managed by RLAM on behalf of external clients.

How we invest for our customers

Our flagship Governed Range is a portfolio of 14 risk-graded, multi-asset portfolios, designed exclusively for UK savers. The range of portfolios helps us to optimise customers' outcomes, with each portfolio managed to a specific risk appetite and for customers at a specific point in their journey towards and beyond retirement. In collaboration with RLAM each portfolio is actively managed by highly-experienced investment experts, including economists, strategists and fund managers. The regular management includes annual strategic asset allocation reviews, and monthly rebalancing and tactical asset allocation changes to optimise customer outcomes. The Governed Range has a successful track record of delivering good performance, with associated strong governance and risk management.

The Governed Range invests in a variety of asset classes, including global equities, property, commodities, fixed income classes and cash. The blend of asset classes in each portfolio depends on the investment time horizon and risk preferences of the policyholders each solution is designed for.

Our pension products' lifestyle investment strategies, including the auto enrolment workplace default, are constructed from our multi asset Governed Range portfolios. The objective of our lifestyle strategies is to gradually reduce risk as members approach retirement, to help protect the money they have spent years saving.

Our with profits policyholders are invested across our Long-Term Funds (LTF). The investment strategy applying to each LTF is subject to the fund's Principles and Practices of Financial Management (PPFM), documents specifying how each fund will be managed. For example, the aim of our Main Fund investment strategy, in accordance with its PPFM, is to optimise the long-term return on investments for Main Fund with profits and deposit administration policyholders, whilst recognising the need for the fund to meet its guaranteed liabilities and commitments to policyholders and maintaining the RL Estate at the target size. The aim to 'optimise long term returns' was updated in 2021 from a strategy aiming to 'maximise' long term returns, in response to the RLMIS Investment Philosophy & Beliefs amendments described in Principle 5 (Review and assurance).

The SAA for our Governed Range and LTF is fundamentally defined by the need to balance investment returns for customers, allowing for their expected investment timeframes and risk profiles. In November 2021 we re-engaged Moody's Analytics to continue supporting our SAA through use of their proprietary tools and extended our engagement with them to include climate-impact scenario analyses. We have integrated the outcome from these climate scenario analyses into our SAA processes from 2022, across the Governed Range and LTF. Further ESG-related considerations applying to the stewardship of our customers' money are described under Principles 7 (Stewardship, Investment and ESG Integration) and 8 (Monitoring Managers and Service Providers).

Beyond the Governed Range and the LTFs we have a range of longer-standing customers in older products and investment solutions; and a range of customers in our Matrix Range.

The management of long-standing investments follows a similar philosophy to that described above for our Governed Range. A growing number of these products are being migrated to investments in the Governed Range or the GMAPs, a range of funds run by RLAM on the same asset allocation as our Governed Portfolios.

The Matrix Range is intended for pension customers who want bespoke investments. Customers can invest directly in these or tailor a Governed Portfolio by swapping out the equity component for a Matrix fund of their choice. The funds on this range are reviewed by our Independent Advisory Committee.

SAA and customer needs

Our customers have a wide range of terms to maturity. From policyholders expecting to withdraw their money this year to younger pension policyholders, we must appropriately steward all our customers' assets over both the short term and for decades to come.

Customers' risk profiles differ by product and across customers holding the same products. For example younger accumulating pension customers are typically able to bear a higher proportion of equity and property investments in their portfolio, with customers approaching full withdrawal or the start of their decumulation journey better served by an asset class mix that, while still aiming for reasonable long-term real returns, also looks to reduce market risk

These considerations impact our approach to stewardship. We balance our SAAs to allow for different customer needs and risk profiles. Quantitative investment modelling is used to identify the appropriate mix of asset classes and geographies, selected from the available investment universe. For each separately identified investment portfolio, this analysis determines the SAA benchmark and risk budget that is then mandated to our investment manager.

In addition to the above, we consider the variety of impacts our wider stewardship activity will have across our customer base. For example, divestments may lead to materially different outcomes for our customers depending on their products' risk exposure and individuals' expected terms.

Understanding customer concerns

Three activities are key in helping us gain insight on topical issues impacting our customers:

- Regular consumer market research
- Annual General Meeting (AGM) votes and questions
- Customer relationship studies

We regularly reach out to our customers through customer relationship studies to understand our customers' views on key impactful topics and how they believe we should act on these issues.

Our two key research panels enable us to quickly carry out robust research with customers and financial advisers, enabling in-the-moment feedback to drive better customer outcomes. Our customer panel comprises a representative sample of c.650 customers, while our adviser panel consists of more than 250 advisers and paraplanners. We use these panels to understand customer and adviser views toward our products, services, communications, and evolving customer needs. Feedback from key stakeholders indicates the capability we have is considered 'best in class'.

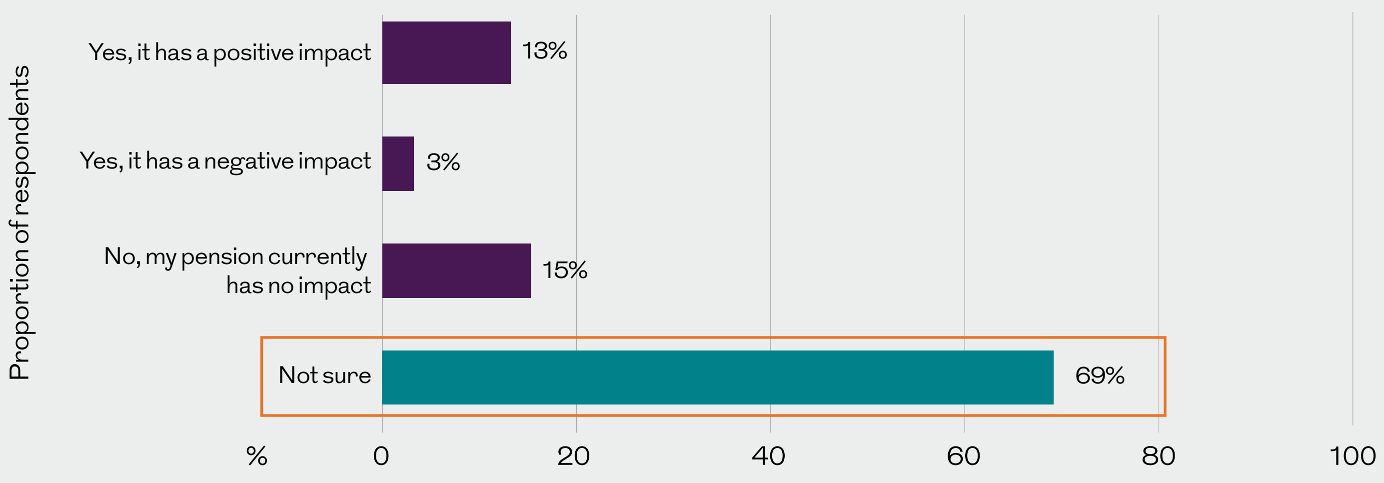
Our wider consumer research has shown growing public concern over the climate crisis. RLMIS research carried out in June 2021 on a sample of 2,943 UK nationally representative consumers showed 67% of the UK public believe we face a state of emergency due to the climate crisis, and 71% believe shared responsibility is necessary to address the crisis.

By conducting regular consumer market research we are able to gain valuable input from both our customers and the public allowing us to build a more comprehensive understanding of our customers' motivations, financial resilience, and the issues they are concerned by and which may be impacting their investments. This approach also allows us to track trends over time on a consistent basis.

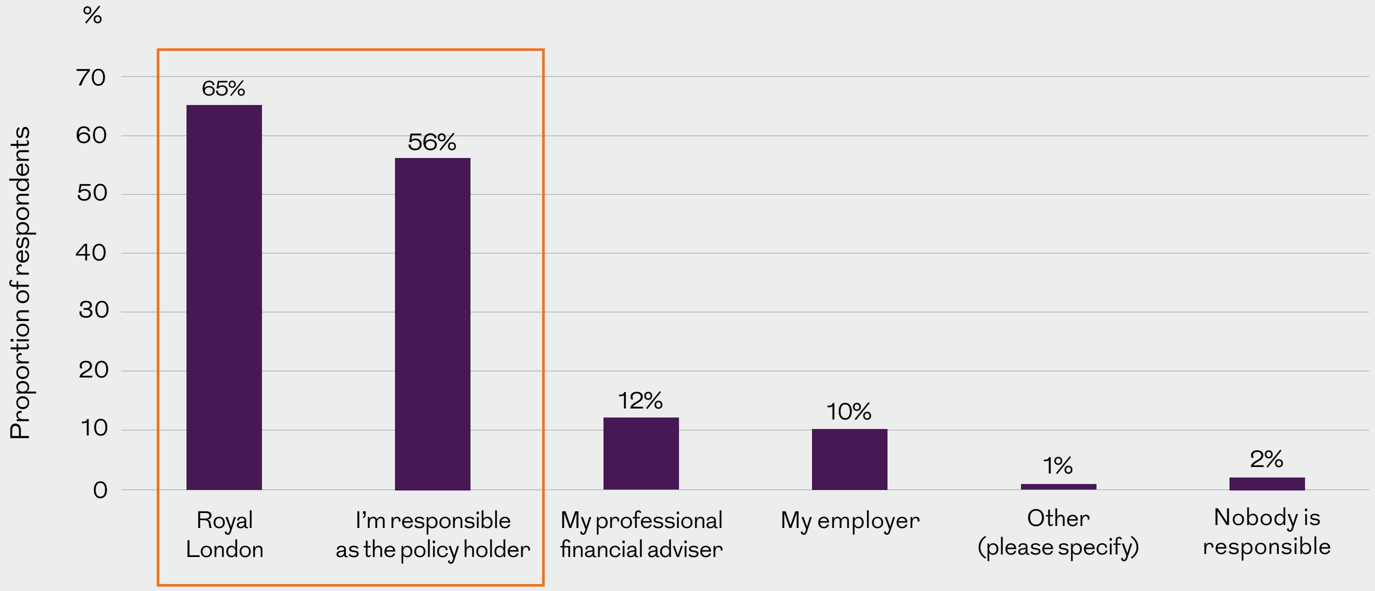
Climate change is a key area of focus and in June 2021 our Customer Relationship Study showed that:

- 60% of RLMIS customers are concerned about their own contribution the climate crisis
- 43% expect us to do everything necessary to urgently address the crisis on their behalf
- 69% of our customers were unsure if their pension had an impact on climate change
- 65% believed it was the responsibility of RLMIS to ensure their pension is positively impacting climate change.

Research outcomes: Does your pension currently have an impact on climate change?



Research outcomes: Who is responsible for ensuring your pension is positively impacting climate change?



Reflecting research outcomes in stewardship activity

Customer research commissioned in 2020, in which our customers identified 'ESG' and 'Responsible Investment' as topics of concern, informed the activities of our 2021 'Responsible Investment and Climate Change' programme described in Principle 1 (Purpose, Strategy and Culture).

Our subsequent 2021 customer research confirmed that our plans to 'tilt' the default fund in 2021, as described in Principle 7 (Stewardship, Investment and ESG Integration), were in line with customer needs and that we should continue to take action to address the climate crisis on our customers' behalf through our stewardship and engagement activities.

Further to this, our 2021 research highlighted the need for us to take action to educate our pension customers on: the power their pension can have in the fight against the climate crisis; what we are doing to tackle climate change via their pension investments; and how we are engaging with the companies and markets our customers are invested in, to influence change.

In addition to receiving customer feedback through regular surveys, as we are a mutual our members have a direct say in how we run our business through their AGM voting rights. Questions posed by our members at the AGM give us an indication of the topics and trends most important to our members. Topics of discussion from our recent AGM include:

- Climate change impacts
- Our voting practices in high carbon intensity industries
- Covid-19
- Diversity and inclusion
- Investment in nuclear weapons

We will continue to ask our customers their views on the topics most important to them, including detailed surveys to support the fight against the climate crisis and related nature and sustainability issues. We will continue to evolve our propositions to reflect the changing views of our customers by reviewing our asset allocation mix, portfolio construction and related stewardship policies when necessary.

In 2022 we will commission specific research to understand how customers' views of responsible investing have evolved over the preceding year. This will inform future updates to the Stewardship & Engagement Policy, as well as our review of engagement themes.

Financial wellbeing hub

Over the past year our customers have faced significant competing pressures, including the knock-on health and economic effects of Covid-19. So in 2021 we launched a financial wellbeing hub as a one-stop shop for our customers. It is full of financial information to help customers deal with major life issues; from budgeting and paying off debts, to dealing with a life event such as bereavement, divorce or ill-health.

In the 10 months following its launch in February 2021, our hub attracted over 9,500 views. It is promoted through our monthly customer newsletter, which reaches around 650,000 customers.

In September 2021 we were proud to be ambassadors for Pensions Awareness Week. We hosted a series of webinars to help our customers understand their pensions better. We were delighted that more than 6,000 attended our webinars.

Our mobile app continues to be a popular service for customers. Over the past year we expanded the services available on the app by introducing a new feature so pension customers can increase their contributions and nominate beneficiaries.

Communicating with our customers

Communication with our customers is key to ensuring that they know we are there for them when it counts. We do this in a variety of ways:

- The Royal London website
- Annual General Meeting
- Annual policyholder statements
- Annual Report and Accounts
- Fund factsheets
- Customer newsletters
- Our Royal London mobile phone app
- Media adverts
- Social media platforms

In 2021 we ran an educational and awareness campaign during COP26 about the power of pensions as a force for good through our 'Invested Generation' campaign, a multi-channel campaign targeting UK consumers to raise awareness on:

- the importance of knowing how a pension works and where money is invested; and
- how we represent RLMIS customers' interests through RLAM's investee engagement on key issues including diversity, governance, and executive pay.

The Invested Generation campaign represented a significant investment which featured a TV commercial, radio adverts, billboard advertising, Facebook community, a partnership with the Guardian and podcasts.

We use our website, royallondon.com, to keep our customers up to date with how we are actively addressing key issues that may impact their investments, e.g. announcing our climate commitments in 2021.

Over 2021 through marketing collateral and on our website we promoted the enhancements made to our Governed Range and the equity 'tilts', describing the steps we have taken to reduce the carbon emissions intensity of some of our customers' investments. We also provided our Workplace Pensions employers with a toolkit to communicate with their employees.

More generally, our customers can access policy statements and fund factsheets from our Royal London website and we post annual pension statements to pension customers in line with regulatory requirements.

Our fund factsheets include a breakdown of the asset allocation and top ten holdings. Typically they will include a geographical and sector split, where the data is available. In addition, we publish data sheets for the Governed Range. These include SAA and Tactical Asset Allocation splits, performance attribution and proportional asset class splits within each underlying strategy. Although we don't currently include responsible investment information on the factsheets or data sheets, we recognise that this is key for communicating our investment beliefs, highlighting our investment priorities and ensuring our customers know their values are considered. We are therefore exploring the addition of targeted emissions and other climate related data in our customer communications, recognising this data will in time become more readily available.

Through the wide range of customer communications described above, we provide our customers and members with a transparent, in-depth view of how RLMIS actively considers and manages their specific needs and outcomes.

Helping customers understand their risk attitudes

We offer a tool to help customers quantify their attitudes toward investment risk. This tool is based on a bank of questions designed by UK risk profiling company A2Risk and has been calibrated against a sample of the UK population. Quantifying customers' attitudes to risk enables an objective mapping to our portfolios, which have been individually risk rated by independent agencies such as Defaqto and Distribution Technology.

Research effectiveness review

Our research approach and methodology are reviewed on a regular basis and reported to our UK Customer Committee (UKCC).

The last review took place in 2020 and considered:

- the frequency of the studies
- sample size and spread of sample across different customer groups
- the use of external agencies
- the mix of tools used (for example online survey vs telephone interviews).

In 2022 we will conduct customer surveys targeted at gathering insight on the success of these changes.

Our UK Customer Committee

The UKCC helps to ensure our customer outcomes are in line with our Purpose, strategy and Conduct Risk Policy.

The UKCC monitors and oversees the experiences and outcomes of our UK customers, for example:

- our customer service
- our vulnerable customers' experiences
- actions based on customers' and advisers' behaviour
- supporting Chief Customer Officer (CCO) assessment of Conduct Risk
- coordination of collaborative cross-functional activities aimed at delivering good customer outcomes.

UKCC attendees include our Group CEO, CCO, Group Chief Commercial Officer, Group Chief Marketing Officer, Group Operations Director and Group Chief Risk Officer.

Principle 7 - Stewardship, Investment and ESG Integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Our Stewardship Priorities

Principle 6 addressed how we gather information to better understand our customers and how this impacts our stewardship activity to ensure favourable outcomes.

Having listened to our customers, we identified two themes to prioritise within our asset owner stewardship and engagement activity:

- Climate Change; and
- Inclusion (focussed on a Just Transition).

We identified climate as a priority issue from our customer research and independently recognise that a large portion of our customers are invested over a longer term, so are materially exposed to risks arising from the climate crisis.

Furthermore, climate change unfairly impacts our poorest communities and nations. We believe it is important that these marginalised groups are not unduly impacted by the transition to a low carbon economy. A 'Just Transition' would help ensure employment opportunities, social protection, and affordable energy as we move to a greener future. For this reason, Just Transition was identified as our second priority.

These priority issues are considered in all our stewardship activities and have been integrated into our proposition and asset manager mandates through:

- ESG Equity tilts
- Engagement activities
- Seeding sustainable funds

More detail on these areas is provided below.

Stewardship

Our Stewardship & Engagement Policy defines how RLMIS undertakes stewardship and engagement activity as an asset owner. Whilst we are focused on the UK market, our policies are applicable across all geographies. It sets out how RLMIS will meet its commitments to be responsible stewards of the assets we own on behalf of our customers, including our duty to influence for positive change.

The 2021 review of our Investment Philosophy & Beliefs identified three areas for revision:

(i) our approach to exclusions;

(ii) the rationale for moving away from market weight in our regional passive funds; and

(iii) our approach to climate change.

As a result of this review our Investment Philosophy & Beliefs document was updated to:

- set out an approach to exclusions that provides scope for their use as an escalation measure following a failed engagement, and to reflect customer values and social norms (this allows for our belief that change is best driven by being an active owner and engaging with companies where there are issues to be addressed);
- reflect that the efficiency of the market can change over time and as such our choice of investment style with relation to regions, asset classes, sectors or themes should change over time as well; and
- set out climate beliefs that are reflective of our customers' concerns and our role as the UK's largest mutual life, pensions, and investment company.

We exercise strong oversight of the asset managers we appoint to manage assets on our behalf, as described in Principle 8 (Monitoring managers and service providers).

We have direct input and oversight of asset manager stewardship activity undertaken across our segregated mandates, as described in more detail below.

RLMIS expects asset managers to exercise the full range of shareholder rights and responsibilities on our behalf. We also expect all our asset managers to become signatories of the following initiatives, or provide an explanation as to why they have not done so:

- UN PRI;
- FRC UK Stewardship Code 2020; and
- Net Zero Asset Managers Initiative.

Furthermore, our customers' needs and investment preferences are considered in great detail internally, as described in Principle 6 (Client and beneficiary needs), before we finalise and communicate our requirements to asset managers through our mandates.

Stewardship activity in emerging markets

We have engaged with RLAM, who manage the majority of our customer assets, to limit our emerging market exposure to an ESG screened index tracker fund. This approach allows us to mitigate our customers' risk exposure from investments in areas of the world where poor corporate governance can impact performance and return on investments.

RLAM voting activity

Our voting and other investee company engagement activity is delegated to our asset managers. Our Stewardship & Engagement Policy, which includes our Voting Policy, acts as the basis from which we monitor and influence their decisions. As described under Principle 5 (Review and Assurance), this policy sets out the stewardship and engagement principles RLMIS applies as an asset owner, including the actions we expect from our asset managers to address RLMIS' priority engagement themes, and informs our related oversight processes.

RLAM's investee company voting and engagement activity applies to both active and passive investments across all eligible equity funds. In addition, RLAM's engagement activity is not limited to equity holdings, but extends to engagement on our behalf as bondholders. RLAM's voting and engagement activity is carried out on behalf of RLMIS as well as external clients. More detail on RLAM's stewardship activity, undertaken on behalf of all its clients, is available in their 2021 Stewardship Code report, available here. RLAM's voting records may also be searched using the online tool available here. Our asset manager oversight process, including the monitoring of voting activity, is detailed below under Principles 8 (Monitoring managers and service providers), 11 (Escalation) and 12 (Exercising rights and responsibilities).

ESG Equity tilts

We take an active approach to managing equity funds. Traditionally this has been achieved by blending a core of passive equity investments with additional, actively managed funds. To help progress toward our net zero climate commitments and more fully embed ESG considerations into our investment decision making, we have worked with RLAM to reduce exposure to market-weight passive equity funds in favour of 'equity tilt' solutions. This decision was driven by our belief that the full extent of the transition to a low-carbon economy is not yet priced into markets, and we can better protect the value of our customers' investments by taking a more active investment approach.

Our tilted funds increase exposure to certain companies and reduce exposure to others, relative to a traditional index. Rather than fully replicating an index, with the same underlying companies in the same proportions, our tilted funds adjust the proportion of each company to hold a larger proportion of companies with lower carbon emissions intensity.

The objective of our tilted funds is to:

- deliver returns in line with the 'traditional benchmark'; and
- improve the ESG profile of the fund.

To ensure the former performance objective continues to be met, active risk limits apply (1% tracking error limits against underlying benchmark). To avoid a conflict with the latter objective, the funds must achieve a minimum carbon emissions intensity reduction of 10%, relative to the underlying index.

Although equivalent standard quantitative measures are not yet available to allow tilting in respect of other Social and Governance factors, the funds may reduce exposure based on a range of risk-based factors relating to Social and Governance issues.

As a result of the tilts we reduced the Governed Range carbon footprint by 16% between the tilted funds' introduction in August 2021 and the end of the same year.

We intend to evolve our approach to equity tilting and regularly review our methods of assessing impact to portfolio carbon emissions. Recognising the limitations of currently available portfolio-level emissions data, we will continue to seek out best-in-class investee emissions figures and expert insight, updating impact assessments as data quality develops. As methodologies improve and data becomes more complete, our tilting may include forward-looking assessments of companies' climate credentials and other ESG related factors.

Engagement

As described in Principle 1 (Purpose, Strategy and Culture), we have set targets to reach net zero portfolio emissions by 2050. We engage with our asset managers to work collectively toward meeting these objectives. In doing so we consider a Just Transition to support the facilitation of access to affordable clean energy and employment opportunities within and outside of transitioning companies.

To guide proactive engagement with investee companies we inform asset managers of the engagement themes we require them to follow for our segregated mandates and request they follow in their pooled funds. Furthermore, in line with our net zero portfolio commitments, we have engaged with our asset managers to ensure ESG considerations are integrated across our portfolio. For example, we have engaged with RLAM on their property portfolio to ensure climate considerations have been taken into account. This has resulted in emissions reduction targets being set for all their directly-owned properties. More information is provided under Principle 9 (Engagement).

Exclusions

In accordance with our Exclusions Policy, no fund within our segregated mandates will knowingly invest in corporate equity and/or debt involved in the manufacture and sale of cluster munitions, anti-personnel landmines, or biological & chemical weapons. Whilst we recognise that we cannot compel the managers of our pooled funds, including RLAM, to conform to the RLMIS Exclusions Policy, we monitor exclusions on a 'comply or explain' basis as described under Principle 8 (Monitoring managers and service providers).

As we prioritise engagement over divestment, we do not include any further topics within our Exclusions Policy. For further information on why we prefer to stay invested with certain controversial industries and concentrate on engagement, before escalating to exclusions or divestment, see Principle 11 (Escalation). We will however continue to monitor our customers' preferences, as described under Principle 6 (Client and Beneficiary Needs) and keep our Exclusions Policy under review.

Seeding Sustainable funds

RLAM has a long-term track record in sustainable investing. RLAM's award-winning sustainable fund range invests in companies that have positive impact on society and strong ESG credentials, while maintaining the potential to outperform with strong returns over the long term. More information on RLAM's approach to sustainable investing may be found on the RLAM website.

RLMIS values this sustainable investing experience and works closely with RLAM on sustainability issues. RLAM in turn benefits from RLMIS support, including through the seeding of new funds.

In 2021 RLAM launched eight Dublin domiciled funds to support both the RLAM overseas distribution strategy and the launch of the RLI DAC Pension Proposition. RLMIS has provided investment, or seeding, to enable the launch of these funds. Two of the RLMIS-seeded funds were sustainability aligned:

- the Global Sustainable Credit fund; and
- the Global Sustainable Equity fund.

RLMIS contributed a total of £160m in seeding these two funds.

Global Sustainable Credit Fund

The Global Sustainable Credit Fund integrates sustainable investing into a fixed income solution. It seeks to take advantage of inefficiencies in sustainability and wider credit analyses. The fund adheres to RLAM's sustainable investment policy and will include company bonds that make a positive contribution to society.

Global Sustainable Equity Fund

The Global Sustainable Equity Fund aims to deliver capital growth by investing in sustainable opportunities. This includes:

- Investing in companies which provide solutions to long-term environmental and social challenges;
- Avoiding carbon intensive industries; and
- Avoiding companies with poor ESG management practices.

Effectiveness review

As an asset owner RLMIS challenges its asset managers on the outcomes of their stewardship activity and how it has informed their monitoring, investment, and exit decisions. We take a ‘comply or explain’ approach when assessing the extent to which our asset managers implement our engagement, voting and exclusions policies, which are discussed on a quarterly basis with our asset managers via Stewardship & Engagement meetings. We also conduct in-depth triennial reviews of our arrangement with RLAM. As described under Principle 3 (Conflicts of Interest), these reviews include consideration of RLAM’s investment philosophy, investment performance, capabilities, fees, resources and client management.

More detail on our approach to, and outcomes from, asset manager oversight activity is provided under Principle 8 (Monitoring Managers and Service Providers).

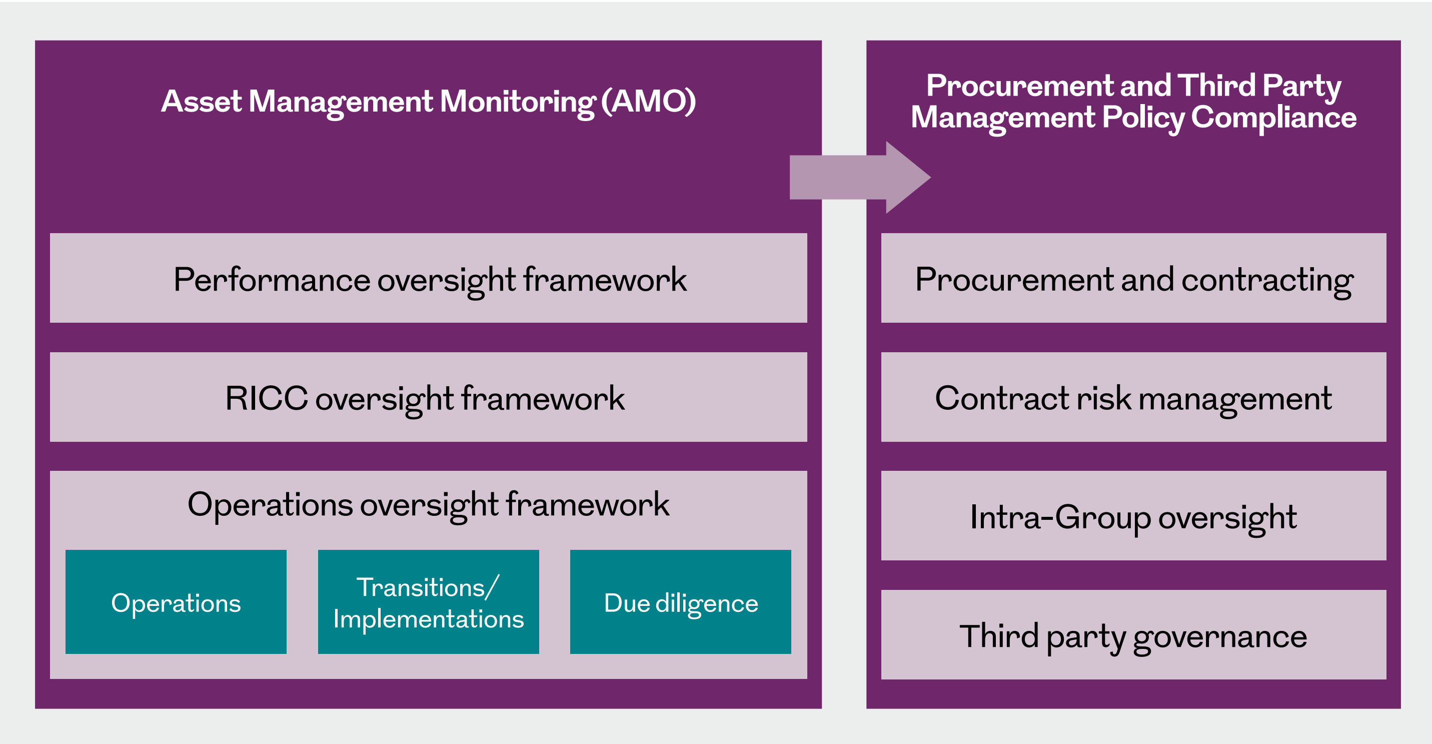
Principle 8 - Monitoring managers and service providers

Signatories monitor and hold to account managers and service providers

Asset manager Oversight framework

The Asset Manager Oversight (AMO) framework oversees the performance, operations, and responsible investment/climate change decisions of our asset managers. This incorporates three core pillars:

1. Performance Oversight framework
2. Responsible Investment and Climate Change (RICC) Oversight framework
3. Operations oversight framework



Within the second of these, our RICC Oversight framework, we include three levels of oversight, in line with the materiality of our exposure:

- All 29 asset managers with RLMIS customer investments are subject to our Level 1 arrangements.
- Seven asset managers, who manage over £100 million each on our behalf, are subject to additional Level 2 'Enhanced Oversight' arrangements. This includes one asset manager that manages c.4% of our customers' total assets.
- RLAM, which manages the majority (c.95%) of our customers' assets, is subject to our Level 3 'Advanced Monitoring' arrangements, in addition to Levels 1 and 2.

RLMIS RI/CC MANAGER MONITORING INSIGHTS

	Tier 1 Standard Monitoring (All AMs)	Tier 2 Enhanced Monitoring (Key AMs >£100m)	Tier 3 Advanced Monitoring (RLAM)
Area 1 DDQ	Standard Set	Enhanced Set	Advanced Set
Area 2 Vote	Comply or Explain	Comply or Explain + Vote Consistency Check	Comply or Explain + Vote Consistency Check + Reserved Voting Forum
Area 3 Exclusion	Comply or Explain	Comply or Explain	Comply or Explain + Apply & Attest + Breach Reporting
Area 4 Engagement	Comply or Explain	Comply or Explain	Comply or Explain
Area 5 Climate	Comply or Explain	Comply or Explain + Climate Interim Actions	Comply or Explain + Interim Actions
Monitoring Frequency (– to +)	Annually	Semi-annually to Quarterly	Quarterly to Monthly

Each level determines the frequency and sophistication of our oversight activities.

The AMO framework is used to monitor and assess the services provided by our asset managers in line with Investment Management Agreements and Fund Link Agreements. The AMO framework covers performance, RI&CC, operations, and escalation processes if asset managers do not meet our requirements.

The AMO framework was updated in 2021 to include the Responsible Investment and Climate Change Oversight framework, which focuses on policy, resources, voting, exclusions, engagement, and climate considerations. We continue to refine all our frameworks to reflect best practices as industry, data quality and policy expectations evolve.

Quarterly stewardship meetings were introduced for our key asset managers toward the end of 2021 and we will continue to embed these over 2022. These meetings adopt a range of performance and risk metrics, addressing areas key to successful stewardship outcomes for our customers and members, and escalation processes if asset managers do not meet our requirements.

At these meetings we:

- focus discussions with asset managers on our oversight framework including responsible investment and climate change requirements and expectations, such as monitoring of net zero;
- inform our asset managers of any changes to our policies and procedures or stewardship requirements; and
- discuss the outcome of monitoring activities.

In addition to the above RLMIS oversees the day-to-day activities of RLAM through several investment-related frameworks:

- Investment Risk Framework
- Strategic Asset Allocation Framework
- Investment Performance Framework
- Investment Operation Framework
- Implementations Framework

Asset manager selection and ongoing assessment

We have a list of expectations and requirements when selecting and considering whether to adopt or retain asset managers, with the Board Investment Committee holding responsibility for final approval. Our initial assessment includes a formal due diligence process and proactive engagement to understand and assess asset managers' arrangements, including performance, operation, regulatory and proposition aspects, as well as responsible investment policies and procedures.

With respect to responsible investment and climate change aspects, we focus on five components:

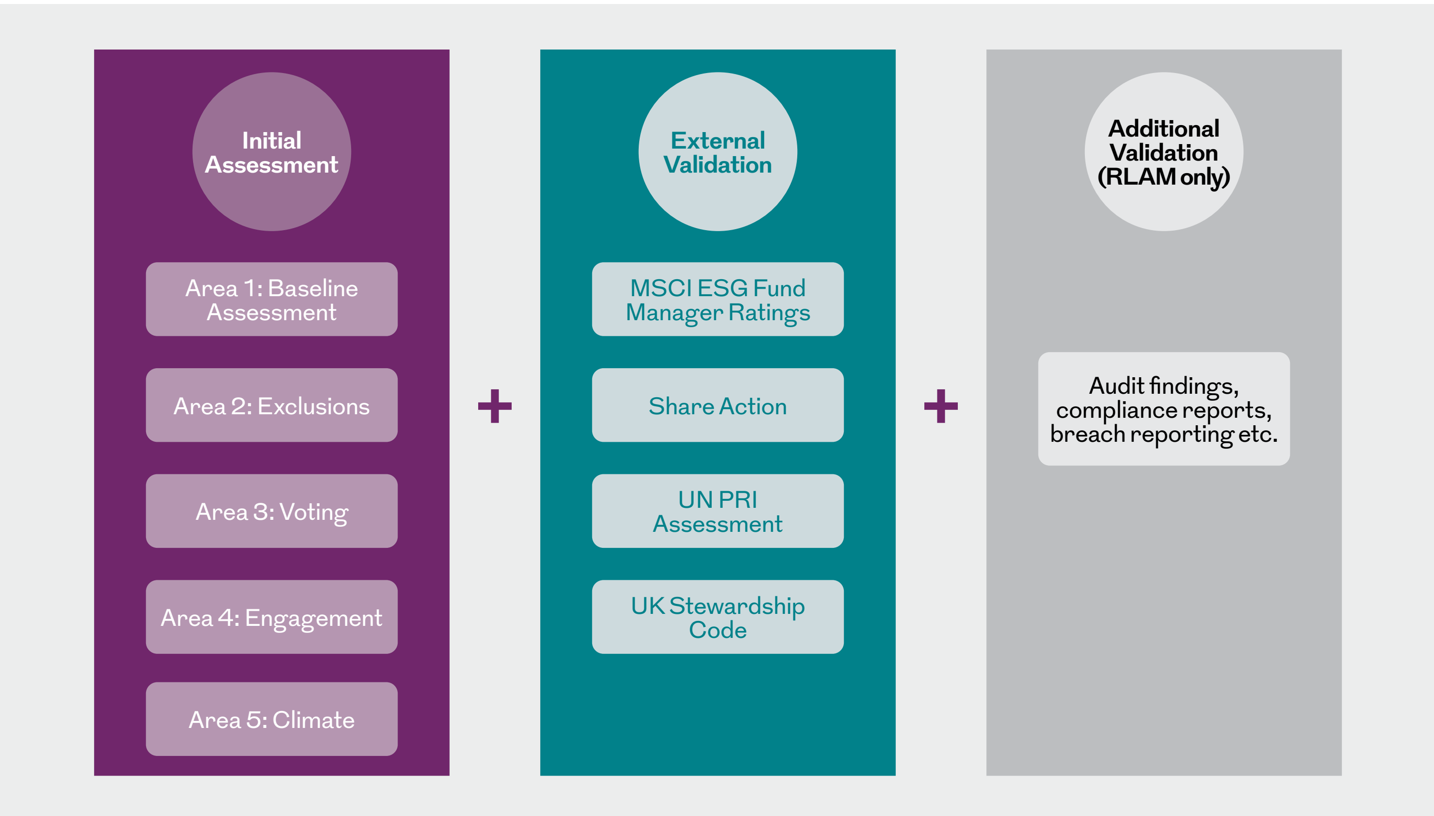
- a baseline assessment
- exclusions
- voting
- engagement
- climate change

We seek to validate the information provided to us by cross-checking against MSCI data on ESG fund manager ratings and other externally-available information, including ShareAction reports, UN PRI assessments, and UK Stewardship Code disclosures. In the case of RLAM, we may review additional information.

From 2021 our manager selection process and our ongoing assessments of managers' responsible investment and climate change activity have included a due diligence questionnaire. This questionnaire drives our baseline assessment by asking asset managers about exclusions, voting, engagement and climate change aspects, as well as their processes for integrating stewardship and responsible investment requirements such as ESG integration across their investment process. Furthermore, in order for new asset managers to be considered, we require them to be signatories to the UK 2020 Stewardship Code, the UN PRI and the Net Zero Asset Managers initiative, as explained under Principle 7 (Stewardship, Investment and ESG Integration).

No new asset managers were appointed in 2021.

However, as an example of outcomes from our selection process over 2021, RLMIS opted not to offer a £40m UK equities mandate to an in-demand, well-performing asset manager due to its lack of responsible investment credentials. The asset manager was not a signatory to the UN PRI, did not have a dedicated responsible investment team, and their engagement and voting processes were not at the level we require.



2021 Monitoring

In addition to the due diligence questionnaire, in Q4 2021 we introduced a set of enhanced KPIs and metrics to enable more detailed oversight assessment of asset managers' performance against our standards in relation to: Integration; exclusions; engagement; climate change issues; and voting.

This evolution and planned refinement over 2022 support our commitment to be a responsible investor and a good steward of our customers' capital.

Monitoring Activities

During Q4 2021 these AMO questions were issued to all our asset managers, with their responses assessed against a set of KPIs weighted under the pillars of Policy & Resource (20%), ESG Integration (40%) and Engagement and Voting (40%). Each asset manager is then assessed against each of these sections and an overall score created, which informs our asset manager monitoring activity and oversight decisions, based on a 'Red/Amber/Green' rating system to reflect how well our expectations are being met.

All our key asset managers were rated Green.

Three of our key asset managers, despite falling into the 'Green' category, did not meet our expectations regarding the integration of ESG factors into their investment decision making process. We followed up directly with these asset managers and determined that the lower scores tended to relate to the integration of climate considerations in their investment process. We will engage further with our asset managers on these points in 2022

As we require our asset managers to be signatories to the Net Zero Asset Managers Initiative, we expect all our key asset managers to provide interim actions against their climate pledges by the end of 2022.

Fund-level ESG assessment

In Q4 2021 we carried out a review of the ESG characteristics of our investments at a fund level, using MSCI ESG data to assess whether funds were deemed to be:

- 'Leaders' (i.e. fund holds companies leading their respective industries in managing the most significant ESG risks and opportunities);
- 'Average' (i.e. fund holds companies with mixed or unexceptional track records in managing the most significant ESG risks and opportunities relative to industry peers); or
- 'Laggards' (i.e. companies in the fund lag industry peers indicating a failure to manage significant ESG risks).

This exercise confirmed that, of the covered funds, none fell into the 'laggard' category.

We will continue to engage with our key asset managers in 2022 on matters of ESG integration and will actively seek to engage with any asset managers that are yet to return their baseline assessment.

Exclusions Monitoring

RLMIS Requirements

We exclude certain sectors from our investment universe, as explained in the below extract taken from our Exclusions Policy:

"No fund will knowingly invest in corporate equity and/or debt involved in the manufacture of cluster munitions, anti-personnel landmines, or biological and chemical weapons"

Although we cannot compel the managers of our pooled funds, including RLAM, to conform to the RLMIS Exclusions Policy, we do require confirmation that they comply with our Exclusions Policy or an explanation of which aspects of our policy cannot be met.

We require RLAM to attest that they have applied our Exclusions Policy to the segregated mandates they manage on our behalf.

Exclusion monitoring activities

During Q3 2021 we:

- Asked all asset managers with pooled funds in which we invest our customers' money, including RLAM, to confirm whether those funds excluded the above sectors;
- Asked RLAM to confirm they exclude the above sectors from the segregated mandates they manage on our behalf; and
- Engaged the services of an external data provider to provide us with an independent check on excluded sectors.

Whilst the 'comply or explain' exercise had asked the asset managers to confirm at a firm level whether they complied with our Exclusions Policy, the external data provider's exclusion score was used to confirm whether the asset managers complied at a fund level.

During Q4 2021 we established a controversial weapons breach reporting process, under which RLAM will notify us if a fund held within one of our segregated mandates were to purchase a company deemed to fall into one of the sectors prohibited under our Exclusions Policy.

Output from exclusion monitoring activities

All segregated mandates managed by RLAM on our behalf are in line with our Exclusions Policy.

Amongst the pooled funds in which our customers are invested, our review showed three quarters of asset managers were compliant with our Exclusions Policy.

The remaining seven non-compliant pooled fund asset managers account for only a small component of our customers' investments. These asset managers were unable to demonstrate full compliance with our exclusions policy. We will continue to monitor and engage with these asset managers going forward to work toward our expectations being met.

We intend to repeat the above review in 2022 to assess progress, with appropriate engagement across our asset managers where necessary.

We also monitor our asset managers' voting decisions and responsible investment and climate change related activity, as described under Principles 11 (Escalation) and 12 (Exercising rights and responsibilities).

Principle 9 - Engagement

Signatories engage with issuers to maintain or enhance the value of assets

Our approach to engagement

Our Stewardship and Engagement policy, approved in 2021 as described under Principle 5 (Review and assurance), established the stewardship and engagement principles RLMIS applies as an asset owner. This policy formalised the actions we expect from asset managers to address our priority engagement themes and informs how RLMIS oversees asset managers to ensure our expectations are met.

Although we delegate investee-level engagement to asset managers, within our segregated mandates we reserve the right to instruct engagement activity more directly, in line with three key principles:

- **Driving long term outcomes for customers** – As asset owner that regularly engages with our customers, we are closer to their long-term needs and interests than our asset managers. It is important that we have a voice in the stewardship and governance matters we deem most impactful on customer outcomes.
- **A stronger voice** – While we seek to avoid duplication of engagement activity with our asset managers, we recognise ‘an extra voice’ on occasion can amplify our impact.
- **Focus on materiality** – We focus our asset owner engagement activity on the matters with most relevance to our customers.

In line with these key principles we have informed our asset managers of our engagement priorities, reserving the right to vote within our segregated mandates and the right to decide on the exclusions that apply to those mandates, as described in Principle 8 (Monitoring managers and service providers).

Having considered our engagement priorities alongside those of their other clients, asset managers will use a range of tools to identify specific companies for targeted engagement. For example, in addition to client requests RLAM target investee engagement activity with reference to:

- ESG research;
- portfolio reviews; and
- relevant regulation.

Whilst these factors help RLAM identify engagement topics, companies are then chosen based on:

- Whether there is a material financial or ESG impact;
- Whether there is a social or environmental Principal Adverse Impact;
- Whether RLAM has a significant holding;
- Whether there is associated reputational risk; and
- Whether the engagement fits with RLAM’s engagement themes.

As RLMIS and RLAM are both part of the Royal London Group, we have a common Purpose. This is reflected in our collaboration and the engagement activities we conduct through RLAM on behalf RLMIS customers.

Looking to future years we will continue to explore how to best measure engagement outcomes and successes as part of our AMO framework.

Asset classes

RLMIS’s policies and expectations of its asset managers apply to all asset classes. However, as asset owner we do not currently have capabilities to conduct direct investee engagement activities under asset classes other than listed equity and corporate debt through our Voting Policy, Exclusions Policy and Reserved Voting Forum, as detailed further under Principle 11 (Escalation). Going forward we will continue to explore expanding the scope of our stewardship and monitoring activity beyond these asset classes to the remaining c.40% of our portfolio.

Voting

Our Voting Principles set out the expectations we place on the asset managers to look after our assets and voting policy guidelines to provide our view on what good corporate governance looks like within the companies we invest in through our asset managers. We require all asset managers to comply with the principles or explain why they cannot do so. Our Voting Principles are available on our website.

In 2021 RLMIS did not override any of the voting activity planned by our asset managers. More information is provided under Principles 11 (Escalation) and 12 (Exercising rights and responsibilities).

Engagement priorities

Our priority engagement themes, introduced under Principle 7, were informed by our customer research. We regularly engage with our asset managers to ensure our priority themes are integrated into their processes and decision making.

We set our expectations with asset managers in line with our AMO framework, through our quarterly stewardship meetings as described under Principle 8 (Monitoring Managers and Service Providers). This may include raising concerns or issues on specific topics, or with our asset managers' specific engagement activities. From 2022 these quarterly meetings will include a bi-annual review with RLAM to discuss RLMIS engagement themes.

When deciding on which themes to focus on, we considered alignment with our Purpose as well as the UN Sustainable Development Goals. We also leveraged RLAM's responsible investment experience and considered the engagement themes RLAM chose to align under our joint Purpose. Combining these inputs with our own research, we establish the following two priority engagement themes.

Theme 1: Climate Change

The climate crisis presents systemic and material risks to the ecological, societal, and financial stability of the world and will impact our customers and their investments. We believe that understanding and preparing for climate-related risks and opportunities is key to helping us protect the long-term interests of our customers. This helps us to support financial resilience whilst moving fairly to a sustainable world.

Example: Climate Transition Risk

Companies may face financial and non-financial losses due to climate-related policy and regulation. We wish to ensure the companies we invest in disclose a comprehensive risk management strategy and details of their resilience measures. This will help ensure focus on these key risks and generate investment insights, leading to greater protection of our customers' investments.

Theme 2: Inclusion

Social inclusion is concerned with improving the terms on which individuals and groups take part in society. At Royal London we believe companies who are inclusive with respect to their employees, customers and wider stakeholders are better run, which in turn leads to greater success

Example: Just Transition

Rapid climate action that limits global warming to below 1.5° would help prevent some of the worst human and economic costs associated with climate change. The scale and pace of the change required to achieve this goal is unprecedented. We have seen that rapid and disorderly changes can lead to increased social costs and leave people, sectors and communities stranded.

The concept of the Just Transition is to ensure social issues are considered, advocating for climate action that supports an inclusive economy and avoids creating new or exacerbating existing injustices.

Through a request for the utility companies we invest in to engage government, employees, communities and customers, we expect them to increase their understanding of the impact caused by the energy transition on their employees, customers and communities. We expect to see a clear management approach to any necessary employee training or re-training.

Driving outcomes on the Just Transition

We support and champion a 'Just Transition' to help ensure climate action supports an inclusive economy, is socially responsible and avoids exacerbating existing injustices or creating new ones.

We care about this because our employees, our customers and members, and the companies that we provide workplace pensions to will all be impacted by the transition to a low-carbon economy.

As a mutual this matters to us. We want to minimise the likelihood of the transition becoming a life shock.

However, as importantly, if we are to achieve net zero and other goals, as a global community we need to address real or perceived inequities. We need to rebuild trust and address the challenge of providing capital to developing countries. We need to include vulnerable and forgotten communities. In short, equity and justice must become a central part of the shared story we must all believe in. Without this it may be impossible to build the trust we need to achieve global collaboration across all countries.

Engaging with the utilities sector on Just Transition

We are a large investor in the energy utilities sector, which brings power into our homes and workplaces. The sector has a critical role in decarbonising the economy by shifting away from fossil fuels towards green electrification.

During 2021, through RLAM's partnership with Friends Provident Foundation, we continued active discussions with a number of utility companies about the trends transforming the power sector.

While most were already working on decarbonisation plans, the majority had not yet established specific approaches to addressing the social implications of their decarbonisation efforts. To remedy this we asked companies to publish a Just Transition plan ahead of COP26. SSE published their plan in 2020 and five more companies responded in 2021:

- March 2021: E.ON published a section on Just Transition in its climate transition plan.
- August 2021: National Grid committed to addressing the Just Transition in its Responsible Business Charter.
- September 2021: Centrica published its Just Transition plan.
- October 2021: EDF published its Just Transition plan.
- November 2021: Scottish Power published its Just Transition plan.

Partnering on Just Transition across the investment industry

In parallel to this engagement programme, we continued with activities aimed at promoting the Just Transition concept within mainstream investing.

RLAM, acting on behalf of the Group, were active partners in the Financing the Just Transition Alliance (FJTA) and contributed to two FJTA reports in 2021.

Alongside other members of FJTA we wrote to the Prime Minister to ensure the concept of a Just Transition gained relevance at COP26 and as part of the national policy debate. Furthermore, we provided feedback to a consultation process in the All-Party Parliamentary Group Local Authority Pension Funds report: *"Responsible investment in a Just Transition 2021"*.

Finally, we contributed feedback to various iterations of the World Benchmarking Alliance Just Transition benchmark and the Climate Action 100+ Just Transition indicator.

Property Net Zero

The real estate sector drives a significant portion of global greenhouse gas emissions and Royal London is one of the largest UK direct property investors. Therefore, as the client with the largest holding of property assets across RLAM's portfolios, RLMIS has engaged with RLAM to ensure targets are set for reducing property portfolio emissions. Outcomes included RLAM reviewing the following with respect to their property portfolio:

- carbon footprint baseline; and
- greenhouse gas emissions trajectory.

RLAM has committed to net zero by 2030 for their directly managed property assets and developments, and 2040 for indirectly managed assets. These targets and selected pathway were chosen to align with the Better Buildings Partnership Climate Commitment, the Paris Agreement and the Net Zero Asset Managers Initiative. More detail on these net zero property commitments is available on the RLAM website.

As we progress we will continue to engage with RLAM and monitor their progress towards achieving these targets.

Principle 10 - Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Our impact

As discussed under Principle 9 (Engagement), it is our responsibility as asset owner to engage with our asset managers on our customers' behalf, to ensure our Purpose and Investment Philosophy and Beliefs are reflected in their decision making.

We believe that good company engagement requires ongoing contact through regular meetings with either management or the Board with the aim of encouraging companies to achieve positive ESG outcomes and adopt behaviours that are in the interests of our customers and wider society.

However, combating global ESG issues for a more sustainable world is not our responsibility alone, nor solely that of our asset managers. It will require action from all companies, sectors and policy makers across the globe.

Beyond our internal operations we participate in collaborative engagement with companies and industry initiatives both as RLMIS and through our asset manager RLAM to drive change and have greater influence in relation to the RLMIS engagement themes discussed in Principle 9 (Engagement). For example, working with the Friends Provident Foundation to request Just Transition plans from the utilities sector, and working with Climate Action 100+ as detailed below.

IIGCC European Utilities working group

We collaboratively work with RLAM on issues that align to our investment beliefs. When conducting stewardship activities, RLAM complies with Royal London Group policies.

RLAM, on behalf of the Royal London Group, is co-chair of the IIGCC European Utilities working group. As part of this work, RLAM co-authored a global strategy document for electric utility companies under a Climate Action 100+ initiative.

This document sets out investor expectations for the utility sector. As RLAM and RLMIS are part of the same group, with a shared Purpose, both prefer engagement with high emitters over exclusion as the latter removes the ability to influence decisions and activities. Further, exclusions ignore the key role investor engagement must play in the world's journey toward a greener economy.

Working with others to improve financial services

Under Principle 4 (Promoting Well-Functioning Markets), we addressed our collaboration through industry initiatives targeted at promoting well-functioning financial markets. In addition to these initiatives we actively collaborate and engage with industry and other stakeholders to help drive positive change on thematic issues.

Financing a Just Transition Alliance (FJTA)

As described under Principle 9 (Engagement), RLAM is a member of the FJTA. During 2021 on behalf of Royal London Group, RLAM contributed to a case study on ‘Engaging for change’ in the FJTA 2021 Just Zero Report, to share our approach with industry peers. The case study described how RLAM worked with Friends Provident Foundation to engage utility companies on the Just Transition.

Square Mile Investment Consulting

We partnered with Square Mile, an Investment Consultancy, in 2021 to help develop responsible investment education for financial advisers. Outcomes included providing clarity on the terms used to describe different responsible investment approaches and helping advisers identify what type of responsible investing best suits their clients.

The material highlights the topics advisers should integrate into their fund due diligence processes to mitigate the impact of greenwashing. It puts the RLMIS Governed Range under the microscope by highlighting its responsible investment credentials.

Our campaign resulted in:

- 3.4m display impressions across four leading publications; and
- c.870,000 paid social impressions.

IIGCC

RLAM, acting on behalf of the Group, supported the IIGCC as the co-chair for the utilities working group, focusing on engagement with the utilities sector. RLAM was also working group lead for the development of the Net Zero Investment Framework.

This activity included contributions to the following publications:

- Paris Aligned Investor Initiative
- Global Sector Strategies: Investor Interventions to accelerate Net Zero Electric Utilities.

Furthermore, both RLMIS and RLAM were signatories to the ‘Global Investor Statement to Governments on the Climate Crisis’, issued by The Investor Agenda of which the IIGCC is a founding partner.

Regulatory engagement

To support policy development and regulatory interventions amongst asset owners and asset managers, we have engaged directly with regulators.

During 2021 we responded to the FCA’s Discussion Paper on Sustainability Disclosure Requirements (SDR) and Investment Labels, both directly and indirectly by supporting responses from the ABI and the UK Sustainable Investment and Finance Association.

The Financial Conduct Authority (FCA) is introducing a new ‘Consumer Duty’ for financial services companies in 2022. It will raise the expectations on how products are designed and how services are delivered to customers. Over 2021 we advocated that this should include a new duty on firms to invest responsibly on their customers’ behalf, so the investments we make also help improve the environment we all live in.

Through our involvement with the ABI we will continue to engage with the PRA and other regulators, to help effectively mitigate climate risks across the economy and maximise the opportunity to support the wider systemic shift to a low-carbon economy

Effectiveness Review

We will continue our involvement in industry initiatives and explore new opportunities. We note that whilst many are worthwhile, the proliferation of collaborative initiatives has meant asset owners must carefully manage their involvement to maintain quality and ensure worthwhile contributions. To maximise our impact we will continue to prioritise the initiatives where we can best leverage our capabilities and have the most meaningful impact.

Principle 11 - Escalation

Signatories, where necessary, escalate stewardship activities to influence users

Escalation within the Group

Although our asset managers engage on our behalf, we instruct investment activity in line with our engagement themes and wider Purpose, as explained under Principle 9 (Engagement).

We believe that engagement is preferable to divesting, as continued investment provides us with influence and thus the ability to help drive effective change. However, if engagement activities do not meet the objectives that were set out at the start of the engagement, or if the activities do not result in material progress within the timeframes that have been set, we expect our asset managers to escalate their activities.

Escalation that we may request asset managers undertake on our behalf can include:

- holding additional meetings with company management, the chair or other board members
- divesting from, or reducing their exposure to, the investee company
- excluding or reducing exposure to the sector from their investment universe
- withholding support or voting against management, and/ or submitting a Shareholder Resolution

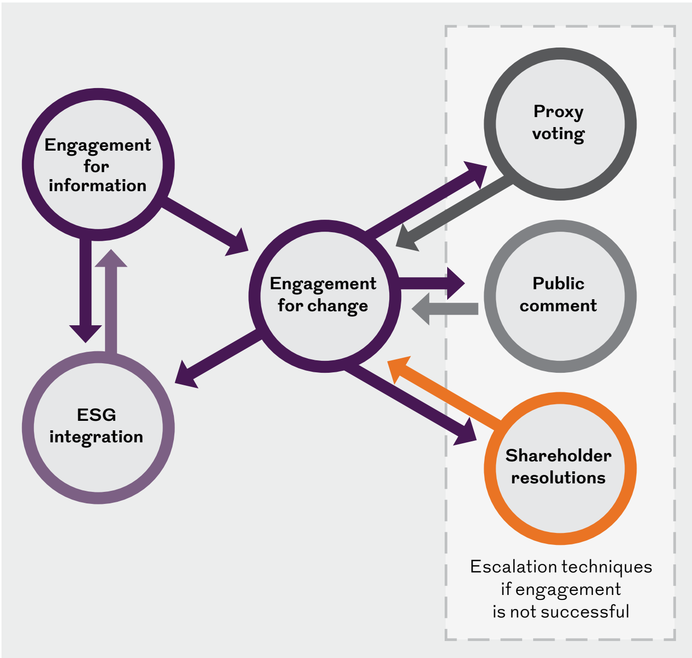
RLAM Escalation

Investee companies that do not respond to engagement requests on ESG issues may pose a significant risk to our customers' investments. We therefore engage with RLAM, to identify these risks and escalate as necessary to the relevant Head of Desk, RLAM's Chief Investment Officer and RLAM's Head of Responsible Investment to discuss the most appropriate escalation.

Actions agreed as a result of escalation are reported to the Royal London Board Investment Committee. Potential further RLMIS actions include:

- Escalating with the investee company chair or other senior executives
- Shareholder voting to put pressure on management
- Issuing warrants, filing or co-filing shareholder resolution, or issuing public comment
- Divestment where engagement and other escalation options are not successful

All engagement activities are used to ensure we are acting in the best interest of our customers. The chart below illustrates escalation of engagement and ESG activity within RLAM:



Voting

Voting is one way in which RLMIS can escalate matters of concern as an asset owner on behalf of our customers. Towards the end of 2021 we established an RLMIS 'Reserved Voting Forum'. This Forum complements our voting policy guidelines, which were also developed in 2021 and are discussed in more detail under Principle 12 (Exercising Rights and Responsibilities).

Reserved Voting Forum

Our Reserved Voting Forum comprises executive and non-executive directors of RLMIS, including the Chair of the Board Investment Committee and the Chair of RLMIS. It supports the Group Chief Financial Officer in managing investments held by RLMIS, in particular through the review of high risk or sensitive matters, for example on resolutions regarding: takeovers; overseas acquisitions of UK assets; remuneration that is not tied to performance or does not support generation of long-term value for shareholders; and resolutions significantly affecting company strategy.

In the last quarter of 2021 the Investment Office reviewed nine potentially sensitive votes representing £155m in RLMIS's segregated mandates (c.0.1% of total RLMIS AUM). Of these, two-thirds were related to acquisitions of UK firms in potentially sensitive sectors by overseas bidders and the rest were derived from RLMIS's ESG Watchlist. One vote was escalated to our Reserved Voting Forum for consideration.

Following the implementation of the Reserved Voting Forum we continue to review the effectiveness of our oversight of asset managers' voting activity, described under Principles 8 (Monitoring Managers and Service Providers) and 12 (Exercising Rights and Responsibilities).

ESG Watchlist

The combined information from the assessments and meetings described above allows us to create an ESG Watchlist. This list helps focus our stewardship activity, for example helping to inform the voting cases our Reserved Voting Forum choose to consider. Our model is still evolving but as at Q4 2021 it: identifies investee companies with the poorest environmental, social and governance ratings (based on independent ESG rating data provided by MSCI); considers the top 10 contributors to our portfolio's carbon emissions intensity; and considers our top 20 equity holdings by AUM. This leads to a list of companies we choose to focus on, e.g. reviewing potentially sensitive votes across our segregated mandates.

RLAM Climate voting

As climate was identified as one of our engagement priorities, we engaged with RLAM to ensure their involvement in climate voting activity on our behalf. Throughout 2021, a large number of companies proposed climate transition plans. As best practice in climate plans is rapidly evolving across industries, RLAM approached each company's vote on a case-by-case basis.

To ensure effective voting, each case was reviewed by RLAM's internal climate experts in collaboration with RLAM's Governance team and fund managers. Out of 104 climate-related voting occasions, RLAM voted:

- In support: 47%
- Against: 9%
- Abstain: 44%

We recognise investees' business decisions relating to the climate crisis are often complex and nuanced. Many companies have taken steps that warrant encouragement and further dialogue, even where more progress is required. In recognition of this, and in line with RLMIS policies, RLAM may choose to abstain from climate-related votes. In particular where:

a) RLAM has not previously raised the relevant issue with the investee;

b) RLAM retains some concerns but recognises the investee company has made positive progress; and/or

c) RLAM is seeking to invite a constructive dialogue with the company on these issues.

We expect this approach to evolve over time as our investee companies embed climate-related factors into their decision making and as we seek to escalate these issues through RLAM's ongoing investee company engagement.

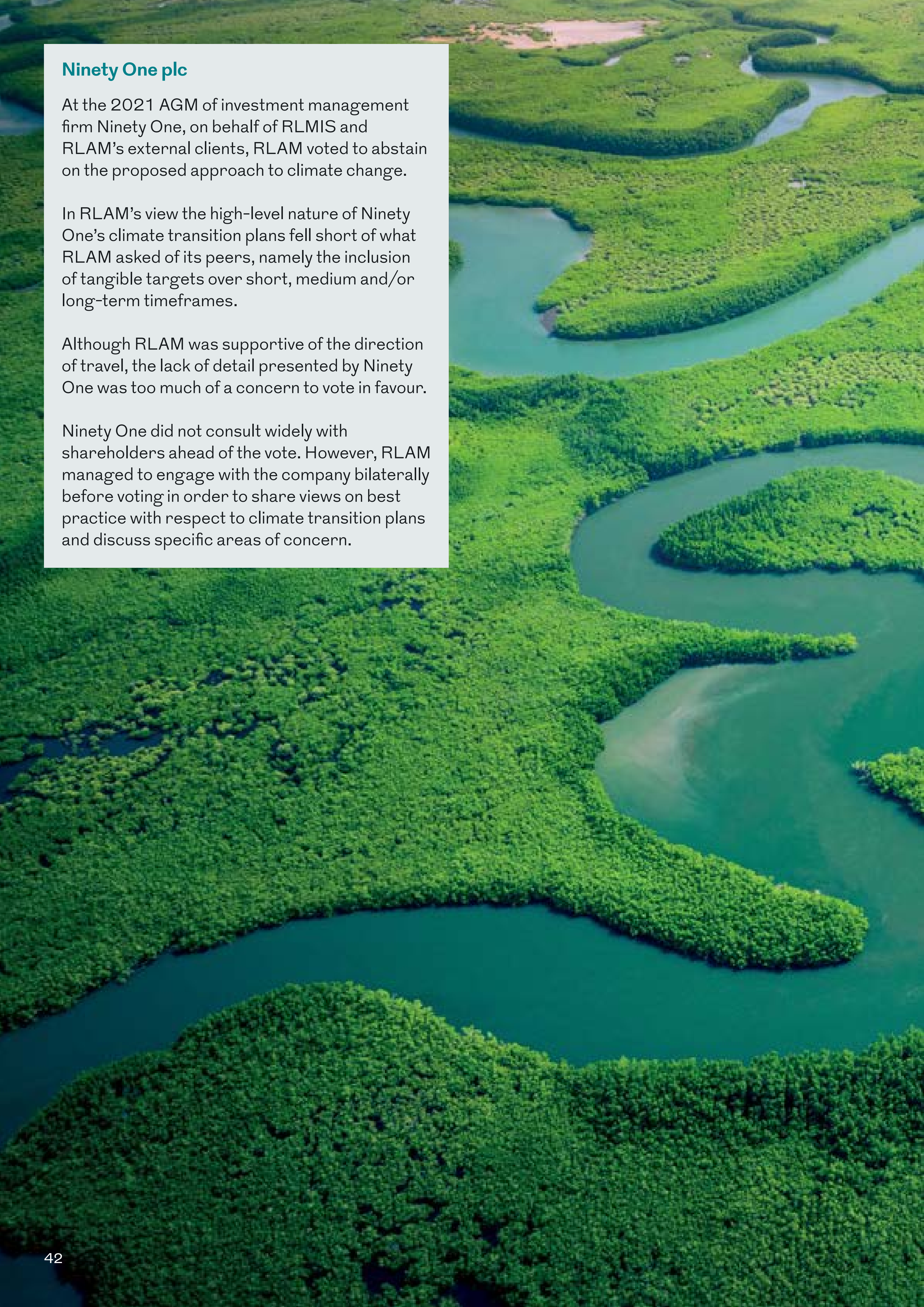
Ninety One plc

At the 2021 AGM of investment management firm Ninety One, on behalf of RLMIS and RLAM's external clients, RLAM voted to abstain on the proposed approach to climate change.

In RLAM's view the high-level nature of Ninety One's climate transition plans fell short of what RLAM asked of its peers, namely the inclusion of tangible targets over short, medium and/or long-term timeframes.

Although RLAM was supportive of the direction of travel, the lack of detail presented by Ninety One was too much of a concern to vote in favour.

Ninety One did not consult widely with shareholders ahead of the vote. However, RLAM managed to engage with the company bilaterally before voting in order to share views on best practice with respect to climate transition plans and discuss specific areas of concern.



Principle 12 - Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities

Voting Policy

In 2021 we developed an RLMIS Voting Policy, which sets out our expectations for asset managers and the companies we are invested in. This policy ensures that we are not wholly reliant on our asset managers' voting policies and decisions.

The policy, which applies to listed equities only, covers all assets held by RLMIS including those held in respect of our Ireland business. It does not apply to investments through derivatives.

Our asset owner voting expectations for asset managers are summarised below:

- Have a publicly available voting policy.
- Give careful consideration to ESG issues when exercising voting rights.
- Take an active approach to voting, whether in active or passive funds, and endeavour to always vote either in favour or against a resolution (i.e. avoid abstaining).
- Support investee boards and management where their actions are consistent with long-term corporate value as opposed to short term profits.
- Support the alignment of voting decisions with investee company engagement.
- Disclose voting activity no less than twice a year.

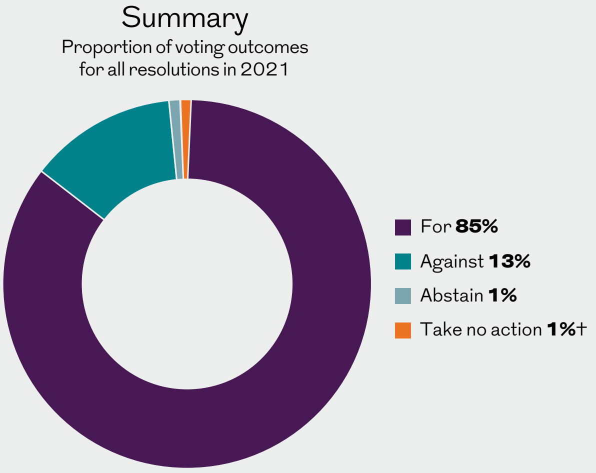
Over 2021 we developed a set of voting policy guidelines. We will monitor and review the voting policies of all our key asset managers against our voting policy guidelines in 2022. Where necessary we will discuss any significant variation from these guidelines with asset managers and escalate when appropriate using our AMO framework described in Principle 8 (Monitoring Managers and Service Providers).

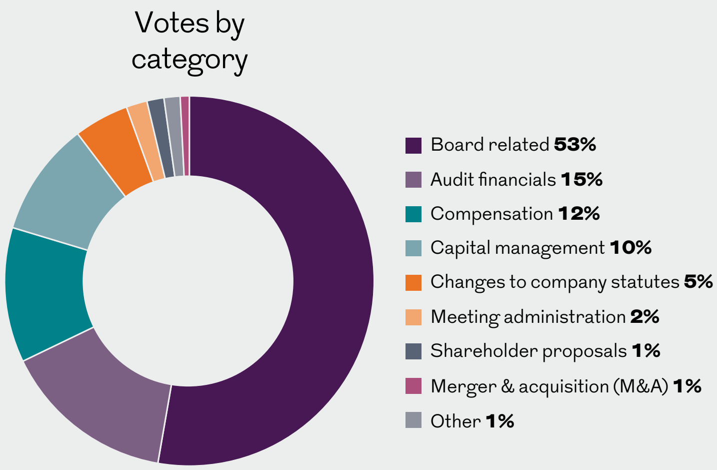
Voting

Although we delegate investee-level engagement to asset managers, as described under Principle 9 (Engagement) we reserve the right to instruct engagement activity more directly within our segregated mandates. This is supported by the 'Reserved Voting Process', described under Principle 11 (Escalation).

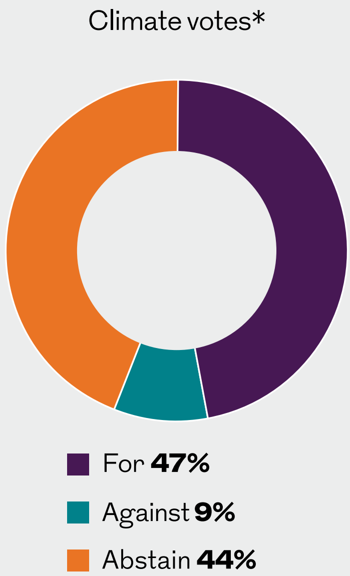
Below is a summary of RLAM's 2021 voting activity. As specified earlier in the report, RLAM manage c.95% of RLMIS customer assets. For a more detailed list of RLAM's 2021 voting activity see pp. 29-30 of the RLAM Stewardship Report, available on its website.

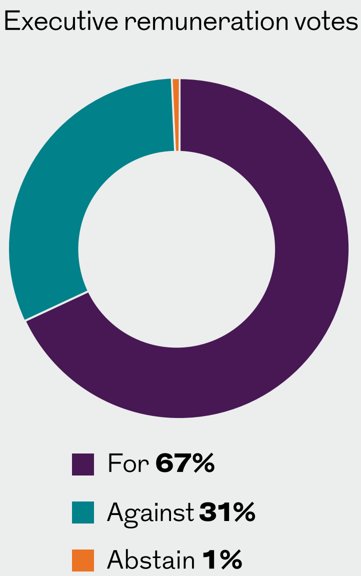
2021 voting activity

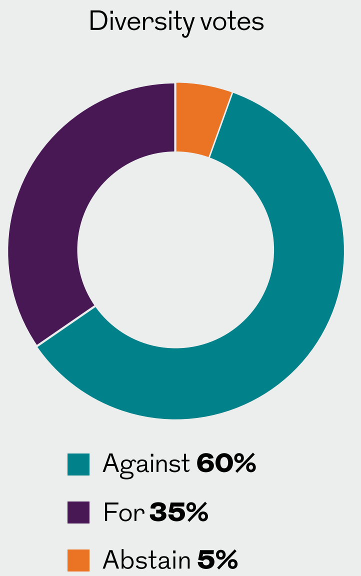




† Take no action – RLAM endeavour to vote at all meetings other than in markets where voting would result in shareblocking







* Shareholder proposals only in the category "SHP - Environment"

Exxon Mobil

In 2021, at Exxon Mobil's AGM, activist shareholder group Engine No1 suggested four directors for election. This was proposed as a solution in order to address the lack of climate integration in the company's strategy.

Acting on behalf of the Royal London Group, and its external clients, RLAM engaged with both parties and decided to vote in support of three out of four of the nominees at the AGM. The vote resulted in the three nominees being successfully elected, becoming the first climate experts to be elected to a US company through proxy.

Embedding our Voting Principles

As described under Principle 9, our Voting Principles set out RLMIS's expectations of our key asset managers.

RLMIS, as an asset owner, has the potential to hold the same issuer over numerous funds and across multiple asset managers. We are therefore keen to ensure that all our key asset managers vote in a consistent manner and in line with our Voting Policy. It is important to us that opposing votes across our asset managers on the same investee resolution do not dilute our impact as a responsible investor.

Since approval in 2021 the Investment Office has undertaken a number of activities to further the implementation of our Voting Principles across all our asset managers.

For investments in 'pooled' collective investment funds, we engage with asset managers to assess compliance with our Voting Principles, as discussed under Principle 8 (Monitoring Managers and Service Providers). Although we are not able to unilaterally direct the votes in pooled funds, we monitor asset managers' voting patterns and will seek to engage with asset managers who consistently vote out of line with our Voting Policy.

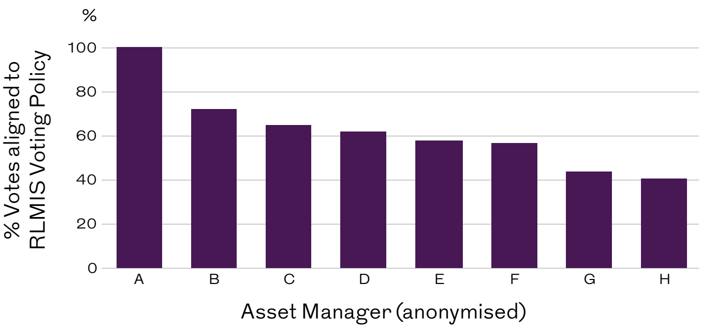
To reflect the greater level of direct control available over our segregated mandates managed by RLAM and the scale of these investments (c.20% of RLMIS investments), we established the RLMIS Reserved Voting Forum described under Principle 11.

Monitoring our asset managers' voting activity

Over 2021 we identified instances where, within UK FTSE All Share investee companies, shareholder dissent was greater than 20%. We used this list to explore how our key external asset managers exercised their voting rights in comparison to RLAM, whose voting policy is closely aligned to the RLMIS voting policy guidelines.

Amongst the sample votes half of our key asset managers voted in line with the RLMIS Voting Policy. Amongst the remaining key asset managers, our Voting Policy was followed at least 40% of the time.

External asset managers – voting assesment



We further refined our approach to focus on companies on our ESG Watchlist and issuers where shareholder dissent was over 70%. This helped us to further prioritise issues against our investment beliefs and improve our understanding of how our key asset managers exercised voting rights.

From this more targeted assessment we found 75% of our key asset managers (by count) voted in line with the RLMIS Voting Policy, representing more than 95% of RLMIS AUM.

The remaining 25% of our key asset managers were not compliant because our investments are in their pooled funds. We are therefore unable to unilaterally enforce our Voting Policy on the fund. However, as described in Principle 8 (Monitoring Managers and Service Providers) we require all asset managers to 'comply or explain' and will continue to track and monitor compliance with our Voting Policy.

In 2022 we will discuss the differences in voting approach with our key asset managers at our quarterly stewardship meetings. This will allow us to fully understand and challenge their voting decisions.

Looking ahead

Building financial resilience and moving fairly to a sustainable world

RLMIS' Investment Philosophy translates our Purpose to the outcomes we target from stewardship and investment activity: *We will seek to optimise long-term risk adjusted investment returns for our customers in a sustainable way, recognising that our customers will live in the society we mutually help to create.*

Clarity and consistency in our longer-term ambitions have never been more important than today. We face huge economic and geopolitical risks that must be managed. And yet the need to address the climate crisis is a global issue that cannot be deferred to the next generation. It would be a dangerous strategy to assume we can somehow defer action on our longer-term ambitions to address perceived more immediate crises.

The mutuality and independence of Royal London means that we are uniquely positioned to sustain a strong balance across different time horizons. Our overall business strategy and specific approach to stewardship is to be clear and resolute in our purpose-led ambition, while adapting our focus in response to recurring shorter-term challenges. Progress will not be linear, but we will not lose sight of the destination.

RLMIS will remain dedicated to building financial resilience and moving fairly to a sustainable world, advocating for progressive policy and aspiring to effect real world change that aligns with the best available climate science and the needs of our customers.

We are conscious of the need to further embed, monitor and refine RLMIS stewardship practices. Several specific actions intended for 2022 have been described in this report. In future Stewardship Reports we will update the FRC on the progress we are making, identifying specific areas of focus and in-year impacts while tracking the cumulative progress of our stewardship activities towards our longer-term ambition.

Areas of focus

Building on RLMIS stewardship progress over 2021 we will continue to assess opportunities to generate 'real world' positive impacts. This will build upon the oversight and influencing of best practice through the engagement we have with investee companies. To have maximum impact in driving meaningful change, asset manager led stewardship activity needs to be complemented by increased asset owner led activity.

As the largest mutual life, pensions and investment company in the UK, we have the opportunity to have a broader influence. Working alongside industry and investor bodies, RLMIS will engage with government, regulators and other policymakers, seeking to influence the changes necessary to move fairly to a sustainable world. As part of this, RLMIS will explore opportunities to mobilise private capital, with a view to accelerating the necessary transition. We will strengthen our insight and influence in this domain by collaborating closely with RLAM, as it continues to expand its own engagement activity.

We will continue to review our approach to asset allocation and portfolio construction, seeking opportunities to increase 'real world' positive impact through our portfolio allocations and investment decisions, while continuing to support customer outcomes with prudent management of investment risk.

We remain committed to working with the companies we invest in, to play our part in enabling a Just Transition to a low carbon economy. We will retain our method of delegating voting and other investee company engagement activity to our asset managers, monitoring and influencing their decisions in line with our Stewardship & Engagement Policy. We will prioritise RLMIS involvement in specific shareholder resolutions on a case by case basis, recognising our approach will evolve over time as we respond to emerging risks and customers' priorities.

We will continue to engage with third parties such as our suppliers (through procurement), employers (through our workplace pensions products) and financial advisers to educate, influence and support their plans to move fairly to a sustainable world.

Building the trust and confidence of our customers in our approach to Responsible Investment will remain a priority. We want to be clear about our purpose-driven ambition and the choices we make on their behalf, but also authentic on progress and the challenges we face. To sustain and deepen this engagement with customers, we will seek and listen to their feedback, adapting our strategy and areas of focus so that we remain relevant and responsive to their needs and aspirations.

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We're happy to provide your documents in a different format, such as Braille, large print or audio, just ask us when you get in touch.

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