RI TRANSPARENCY REPORT
2014/15
Royal London Asset Management
About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the PRI website, ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation’s response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a Principles index which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six Principles for Responsible Investment. It can be used by stakeholders as an ‘at-a-glance’ summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the ‘General’ column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

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Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.
## Organisational Overview

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Royal London Asset Management

Reported Information

Public version

Organisational Overview

PRI disclaimer
This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.
### Basic Information

#### OO 01

<table>
<thead>
<tr>
<th>Mandatory</th>
<th>Gateway/Peering</th>
<th>General</th>
</tr>
</thead>
</table>

#### OO 01.1 Select the services you offer.

- [x] Fund management

<table>
<thead>
<tr>
<th>% of assets under management (AUM) in ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ &lt;10%</td>
</tr>
<tr>
<td>☐ 10-50%</td>
</tr>
<tr>
<td>☑ &gt;50%</td>
</tr>
</tbody>
</table>

- ☑ Fund of funds, manager of managers, sub-advised products

<table>
<thead>
<tr>
<th>% of assets under management (AUM) in ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ &lt;10%</td>
</tr>
<tr>
<td>☐ 10-50%</td>
</tr>
<tr>
<td>☑ &gt;50%</td>
</tr>
</tbody>
</table>

- ☐ Other, specify

- [x] Execution and advisory services

#### OO 01.2 Additional information. [Optional]

Royal London Asset Management (RLAM) manages the life and savings assets of parent company Royal London Group as well as running funds for other institutional investors primarily in fixed income, equities, property and cash management. It also includes the Ascentric wrap platform for Independent Financial Advisors. Regarding execution and advisory only services, RLAM provides ESG consulting services to asset owners on a discretionary basis, its principal client being the National Employment Savings Trust (NEST).

#### OO 02

<table>
<thead>
<tr>
<th>Mandatory</th>
<th>Peering</th>
<th>General</th>
</tr>
</thead>
</table>

#### OO 02.1 Select the location of your organisation’s headquarters.

United Kingdom

#### OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ☑ 1
- ☑ 2-5
- ☑ 6-10
- ☑ >10

#### OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).
### OO 03.1

**Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.**

- ☐ Yes
- ☐ No

### OO 04.1

**Indicate the year end date for your reporting year.**

31/12/2014

### OO 04.2

**Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.**

<table>
<thead>
<tr>
<th>trillions</th>
<th>billions</th>
<th>millions</th>
<th>thousands</th>
<th>hundreds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total AUM</td>
<td>82</td>
<td>300</td>
<td>000</td>
<td>000</td>
</tr>
<tr>
<td>Currency</td>
<td>GBP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets in USD</td>
<td>136</td>
<td>090</td>
<td>203</td>
<td>297</td>
</tr>
</tbody>
</table>

### OO 04.4

**Indicate the total assets at the end of your reporting year subject to an execution and/or advisory approach.**

<table>
<thead>
<tr>
<th>trillions</th>
<th>billions</th>
<th>millions</th>
<th>thousands</th>
<th>hundreds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total AUM</td>
<td>100</td>
<td>000</td>
<td>000</td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>GBP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets in USD</td>
<td>165</td>
<td>358</td>
<td>692</td>
<td></td>
</tr>
</tbody>
</table>

### OO 04.5

**Indicate the level of detail you would like to provide about your asset class mix.**

- ☐ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- ☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)
To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Internally managed (%)</th>
<th>Externally managed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed equity</td>
<td>31</td>
<td>0</td>
</tr>
<tr>
<td>Fixed income – corporate</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>Fixed income – government</td>
<td>16</td>
<td>0</td>
</tr>
<tr>
<td>Fixed income – other</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Private debt</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Private equity</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Property</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Commodities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Forestry</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Farmland</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Inclusive finance</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Other (1), specify</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other (2), specify</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>

- Publish our asset class mix as broad ranges

- Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

Indicate the breakdown of your organisation’s AUM by market.
### Market breakdown

<table>
<thead>
<tr>
<th>Developed Markets</th>
<th>% of AUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>&lt;10%</td>
</tr>
<tr>
<td>10-50%</td>
<td>&gt;50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Emerging, Frontier and Other Markets</th>
<th>% of AUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>&lt;10%</td>
</tr>
<tr>
<td>10-50%</td>
<td>&gt;50%</td>
</tr>
</tbody>
</table>

### Additional information. [Optional]

RLAM is predominantly invested in developed markets.

### Voluntary

<table>
<thead>
<tr>
<th>Descriptive</th>
<th>General</th>
</tr>
</thead>
</table>

#### Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

RLAM is owned by the largest mutual in the UK, Royal London Group. RLAM manages £85bn of assets as of 31/03/2015, about half of which comes to RLAM via Royal London Group. In 2013, Royal London Group acquired the Co-operative’s responsible investing capability as part of its purchase of the Co-operative Banking Group’s Life and Savings and asset management business:


In 2014/15, RLAM has developed its proposition as a responsible investor in general, with specialisations in sustainable and ethical investing. This includes setting out a detailed Responsible Investment policy, beginning quarterly public reporting on its RI activities, regular thought leadership articles on its website on sustainability issues and developing integration of ESG factors in our fixed income process. Royal London Group executive board has set RLAM specific targets regarding responsible investment, as part of RLG’s re-branding, that includes emphasis on its mutuality.

### Gateway asset class implementation indicators

<table>
<thead>
<tr>
<th>Mandatory</th>
<th>Gateway</th>
<th>General</th>
</tr>
</thead>
</table>

#### Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

- ☑ We incorporate ESG issues into investment decisions on our internally managed assets
- ☑ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☑ We cast our (proxy) votes directly or via service providers
- ☐ None of the above
## OO 11.1

Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- [ ] Fixed income – corporate
- [ ] Fixed income – government
- [ ] Fixed Income – other
- [ ] Private equity
- [ ] Property
- [ ] Cash
- [ ] Other (2)
- [ ] None of the above

## OO 12.1

The modules and sections that you will be required to complete are listed below.

*This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.*

### Core modules

- [ ] Organisational Overview
- [ ] Overarching Approach (including assets which do not have a separate module)

### RI implementation directly or via service providers

#### Direct - Listed Equity incorporation

- [ ] Listed Equity incorporation

#### Direct - Listed Equity active ownership

- [ ] Engagements
- [ ] (Proxy) voting

#### Direct - Fixed Income

- [ ] Fixed Income - Corporate
- [ ] Fixed Income - Government
<table>
<thead>
<tr>
<th>Direct - Other asset classes with dedicated modules</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Private Equity</td>
</tr>
<tr>
<td>☑ Property</td>
</tr>
</tbody>
</table>

**Closing module**

☑ Closing module
Royal London Asset Management

Reported Information

Public version

Overarching Approach

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**Responsible investment policy**

<table>
<thead>
<tr>
<th>OA 01</th>
<th>Mandatory</th>
<th>Gateway/Core Assessed</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>OA 01.1</td>
<td>Indicate if you have a responsible investment policy.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Yes</td>
<td>☐ No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OA 01.2</td>
<td>Indicate if you have other guidance documents or more specific policies related to responsible investment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Yes</td>
<td>☐ No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OA 01.3</td>
<td>Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RLAM became a signatory to the UN PRI in 2008. It did so based on its view that asset managers who understand the significance of ESG factors in investment and offer solutions to clients which take them into account will be better able to deliver superior risk-adjusted performance as well as exercise their duties, as owners, to steward companies and markets to better practices. Whereas 2013 was a year defined by the acquisition of TCAM, a separate signatory to UN PRI, 2014 was defined by the integration of these businesses. As of 31/03/15, that process is complete, and RLAM is therefore able to offer greater clarity and increased transparency on its responsible investment approach.

RLAM's policies on responsible investment and stewardship can be found here and cover all assets: https://www.rlam.co.uk/About/Responsible-Investing/

This includes:
- a short Responsible Investment Overview:
- a detailed Responsible Investment Policy:
- a Voting Policy:
- Information on the screening criteria, investment philosophy and governance processes for our Sustainable funds:
  https://www.rlam.co.uk/Products/Sustainable/Our-products/

The key elements of the business’ policy is to:
- Act as responsible owners in understanding the significance of a company’s ESG performance and engage with them where we believe this is necessary or advantageous
- Vote on our active holdings for UK companies (which represent the great majority of our equity investments by value) in accordance with an informed, clear and well communicated policy
- Offer and develop a range of products that can meet the spectrum of demands from clients regarding responsible and sustainable investment
- Demonstrate, over time, better and wider integration of ESG factors in the investment process across different asset classes, where relevant
- Use our voice as a large investor with an enhanced capability in ESG to promote effective standards of regulation, best practice and innovation in markets, to bring forward a more sustainable economy and beneficial social and environmental change.

- Be transparent to clients and to society about our activities in relation to responsible investment.

<table>
<thead>
<tr>
<th>OA 02</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>OA 02.1</td>
<td>Indicate if your responsible investment policy is publicly available.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Yes</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| OA 02.2 | Provide a URL to your responsible investment policy. |  | |
| URL | | | |

| OA 02.3 | Indicate if your other policies or guidance documents related to responsible investment are publicly available. |  | |
| ☑ Yes | | | |

| ☑ Yes, all |
| ☑ Yes, some |

<p>| OA 02.4 | List these other policies or guidance documents related to responsible investment that are publicly available and their URLs. |  | |
|  | | | |</p>
<table>
<thead>
<tr>
<th>Policy or document name</th>
<th>URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>RLAM voting database (2014 onward)</td>
<td><a href="http://www.rlam-voting.co.uk/voting/">http://www.rlam-voting.co.uk/voting/</a></td>
</tr>
<tr>
<td>TCAM voting database (2014)</td>
<td><a href="http://co-operativeassetmanagement.co.uk/voting/">http://co-operativeassetmanagement.co.uk/voting/</a></td>
</tr>
<tr>
<td>Sustainable trust criteria &amp; governance</td>
<td><a href="https://www.rlam.co.uk/Products/Sustainable/Our-products/">https://www.rlam.co.uk/Products/Sustainable/Our-products/</a></td>
</tr>
</tbody>
</table>

Select all that apply:

OA 03.1 Indicate the components/types and coverage of your responsible investment policy and guidance documents.
### Policy components/types

- Policy setting out your overall approach
- (Proxy) voting policy
- Engagement/active ownership policy
- Specific guidelines on corporate governance
- Specific guidelines on environmental issues
- Specific guidelines on social issues
- Asset class-specific guidelines
- Screening/exclusion policy
- Other, specify
- Other, specify

### Coverage by AUM

- ☑ Applicable policies cover all AUM
- ☀ Applicable policies cover a majority of AUM
- ☐ Applicable policies cover a minority of AUM

### OA 03.2 Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

The extent to which ethical, responsible and sustainable investment approaches apply to different asset classes and portfolios at RLAM is clearly described in our detailed Responsible Investment policy.

### OA 04 Mandatory | Core Assessed | General

### OA 04.1 Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

- ☑ Yes

### OA 04.2 Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

Since last reporting to the UN PRI we have increased our disclosure on how we manage conflicts of interest, in response to stakeholder demand. A fuller response, including our willingness to be made inside, for engagement purposes, has been included in our detailed Responsible Investment policy.

Our statement of compliance with the Stewardship Code explains our approach to managing conflicts of interest. All staff must certify that they have read and accepted our policy on conflicts of interest and receive computer-based and face-to-face training from our risk and compliance team. With reference to our Ethical and Sustainable funds, all securities that are screened out as inadmissible for our funds have hard-stops implemented on our trading platforms. Our external advisory committee provides an opportunity for independent guidance where a conflict of interest may occur at RLAM on which securities meet the screening criteria. Likewise, there is a process for identifying and managing conflicts of interest on the Advisory Committee, for example, where one of its members is associated with a company under review.

With regard to voting for all shares that RLAM holds the CIO will make the casting decision where fund managers and responsible investment specialists do not agree on how to exercise our stewardship activities. Occasionally, our stewardship may lead companies to ask whether we are prepared to be made insiders in order to resolve concerns we have raised. We may agree to this at our discretion and will at all times remain wholly compliant with our legal obligations.

- ☐ No

### Objectives and strategies
## OA 05: Mandatory Gateway/Core Assessed General

### OA 05.1
Indicate if your organisation sets objectives for its responsible investment activities.

- Yes

### OA 05.2
Indicate how frequently your organisation sets or revises objectives for responsible investment.

- At least once per year
- Less than once per year

### OA 05.3
Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly
- Biannually
- Annually
- Every two years or less
- It is not reviewed
- No

### OA 05.4
Additional information. [Optional]

In 2014, the RLAM Executive Committee signed off a Sustainable and Responsible Investment strategy led by the Head of Responsible Investment. The RLAM Management Committee receives monthly reports on SRI activity; the ExCo quarterly reports as well as an annual summary. The strategy is reviewed annually.

The integration of ESG, responsible and sustainable investment and progress against agreed targets is also reviewed quarterly through the appraisal process.

The RI team's weekly meetings are structured around the agreed strategic priorities.

## Governance and human resources

### OA 07: Voluntary Descriptive General

### OA 07.1
Provide a brief description of your organisation’s governance, management structures and processes related to responsible investment.

At the highest level, the RLAM is accountable to the Investment Office of parent company Royal London Group for internal mandates. The Group Executive Committee (GEC) both receives and requests reports on a regular basis regarding RI matters. The Group Executive Committee also sets RLAM targets in respect of RI, and the GEC adopts positions which RLAM must advise on and implement. Consequently, Investment Office and the RI team are in close contact.

The RLAM executive has responsibility for RI and ESG as a whole, while the CIO is responsible for ensuring its implementation. In 2013 the Executive Committee has reviewed and signed off a Sustainable Investing Plan, which agreed how its new capability was to be used, how it will integrate with the various teams at RLAM and areas of opportunity and risk for increasing AUM, enhancing performance and attracting and retaining clients.

In 2014 the Executive Committee signed off on the Responsible Investment team’s strategy, whose goals and targets were disclosed (and kept private, for confidentiality reasons) in the previous section.
The Head of Responsible Investment reports to the Head of Sustainable Funds. He, in turn, reports to the CIO. The RLAM Management committee receives monthly reports on RI activity and the Executive Committee receives quarterly reports as well as an annual review of progress against the agreed RI strategy.

The RI team meets monthly with the marketing and PR teams and attends monthly product and business development committees, as required.

Our Responsible Investment policy http://www.rlam.co.uk/Documents-RLAM/Sustainable%20Investing/Responsible%20Investment%20Policy_March%202015.pdf explains the governance process regarding approval and removal of securities for the RLAM Sustainable Trusts. This involves the external advisory committee on responsible investment, which has been in operation for over twenty years. More information on the screening and investment process for the Sustainable funds is available, here: https://www.rlam.co.uk/Products/Sustainable/Our-products/

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

<table>
<thead>
<tr>
<th>OA 08</th>
<th>Mandatory</th>
<th>Gateway/Core Assessed</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>OA 08.1</td>
<td>Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

☐ Board members or trustees

☐ Oversight/accountability for responsible investment

☐ Implementation of responsible investment

☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

☐ Oversight/accountability for responsible investment

☐ Implementation of responsible investment

☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Other Chief-level staff or head of department, specify

Head of Distribution
- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment

**Portfolio managers**
- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment

**Investment analysts**
- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment

**Dedicated responsible investment staff**
- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment

- External managers or service providers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment

- Other role, specify
- Other role, specify

<table>
<thead>
<tr>
<th>OA 08.2</th>
<th>Indicate the number of dedicated responsible investment staff your organisation has. [Optional]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OA 08.3</th>
<th>Additional information. [Optional]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>From 2014, RLAM for the first time operated with a central RI team and with a common overall approach to RI, following the integration of The Co-operative Asset Management. There remains a core of 4 full-time ESG staff, not including SRI fund managers, who develop and lead the implementation of our RI activities (including screening), with the exception of Property, where this team already was effective at integrating sustainability factors into their approach. The other notable change are that all voting advice is now generated by the RI team and with a common approach to all in-scope holdings.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OA 09</th>
<th>Voluntary</th>
<th>Additional Assessed</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>OA 09.1 Indicate if your organisation’s performance management, reward and/or personal development processes have a responsible investment element.</td>
<td></td>
</tr>
</tbody>
</table>

**Board members/Board of trustees**
☐ Responsible investment included in personal development and/or training plan
☒ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
☒ Responsible investment KPIs and/or goals included in objectives
☒ Responsible investment included in appraisal process
☒ Variable pay linked to responsible investment performance
☐ Responsible investment included in personal development and/or training plan
☐ None of the above

Other C-level staff or head of department
Head of Distribution
☐ Responsible investment KPIs and/or goals included in objectives
☐ Responsible investment included in appraisal process
☐ Variable pay linked to responsible investment performance
☐ Responsible investment included in personal development and/or training plan
☒ None of the above

Portfolio managers
☒ Responsible investment KPIs and/or goals included in objectives
☒ Responsible investment included in appraisal process
☒ Variable pay linked to responsible investment performance
☒ Responsible investment included in personal development and/or training plan
☐ None of the above

Investment analysts
☐ Responsible investment KPIs and/or goals included in objectives
☐ Responsible investment included in appraisal process
☐ Variable pay linked to responsible investment performance
☐ Responsible investment included in personal development and/or training plan
☐ None of the above

Dedicated responsible investment staff
☒ Responsible investment KPIs and/or goals included in objectives
☒ Responsible investment included in appraisal process
☒ Variable pay linked to responsible investment performance
☒ Responsible investment included in personal development and/or training plan
☐ None of the above
In 2014 The CIO was RLAM is responsible for ensuring that RLAM meets its obligations to clients in fulfilling its role as a responsible owner. Any obvious failure to do so would have affected the variable remuneration of the CIO. The successful integration of the TCAM sustainable investment team was a KPA for some members of the RLAM executive team in 2014. For the Sustainable Trust fund managers, bonus and salary was in part dependant on their evaluation in this area through the appraisals process.

### Promoting responsible investment

<table>
<thead>
<tr>
<th>OA 10</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 4,5</th>
</tr>
</thead>
<tbody>
<tr>
<td>OA 10.1</td>
<td>Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Select all that apply**

☑ Principles for Responsible Investment

- **Your organisation’s role in the initiative during the reporting period (see definitions)**

  - [ ] Basic
  - [x] Moderate
  - [ ] Advanced

- **Provide a brief commentary on the level of your organisation’s involvement in the initiative. [Optional]**

  One of our RI staff sits on the Steering Committee of the Fixed Income workstream. From time to time, we attend PRI events and monitor the situation regarding the PRI’s governance. We have collaborated in Clearinghouse initiatives in 2014 such as on fracking disclosure.

  - [ ] Asian Corporate Governance Association
  - [ ] Association for Sustainable & Responsible Investment in Asia
  - [ ] Australian Council of Superannuation Investors
  - [x] CDP Climate Change

- **Your organisation’s role in the initiative during the reporting period (see definitions)**

  - [ ] Basic
  - [x] Moderate
  - [ ] Advanced
Provide a brief commentary on the level of your organisation’s involvement in the initiative. [Optional]

Our CIO provided the foreword to the CDP’s UK annual report and provided the keynote at the launch event. RLAM issued a press release in support of it: http://www.royallondon.com/about/media/news/2014/october/fail-to-prepare-Investors-Should-Value-Companies-Adapting-To-Long-Term-Environmental-Challenges/

- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)

Your organisation’s role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation’s involvement in the initiative. [Optional]

We participate in regular corporate governance calls to share information with global investors about corporate governance issues in key global markets, and to understand the global perspective on specific company issues, particularly during proxy season.

- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)

Your organisation’s role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation’s involvement in the initiative. [Optional]

RLAM’s head of Responsible Investment has sat on the board of the IIGCC for 4 years and prior to that was active in working groups. This requires attendance at, on average, 6 physical meetings a year. As such, RLAM inputs into Europe’s largest investor voice on climate change regarding EU policy, the development of market based mechanisms for catalysing investment in climate change mitigation and adaptation. This includes many delegations a year to meet with EU and UN DGs, among other activities.

- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
### Your organisation’s role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

### Provide a brief commentary on the level of your organisation’s involvement in the initiative. [Optional]

We support the development of best practice in corporate governance through our support of ICGN and attend their annual conference.

- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify UKSIF

### Your organisation’s role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

### Provide a brief commentary on the level of your organisation’s involvement in the initiative. [Optional]

We regularly attend members’ meetings and seminars/events held by UKSIF, and give feedback to the CEO on an annual basis on setting strategy.

- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

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**OA 11**  
**Mandatory**  
**Core Assessed**  
**PRI 4**

### OA 11.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

- Yes
OA 11.2 Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

☑ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
☐ Provided financial support for academic or industry research on responsible investment
☑ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
☑ Spoke publicly at events and conferences to promote responsible investment
☑ Wrote and published in-house research papers on responsible investment
☑ Encouraged the adoption of the PRI
☐ Other, specify
☐ No

OA 11.3 Additional information. [Optional]

In 2014 we created a short presentation on sustainable investing, aimed at internal audiences who were new to the product and more generic material suitable for charities and other suitable clients, which we delivered to each group.

In 2014 we were asked by Royal London Group Investment Office, to prepare a paper outlining the pros and cons of our parent company, Royal London Group, also becoming a signatory to the UN PRI. This paper also gave guidance on how Group could integrate ESG into its selection, appointment and monitoring process for other asset managers.

In 2014 we published several in-depth papers on responsible investment topics, including genetically modified crops, e-cigarettes and fracking. These were educational in nature and discussed the issues at some length. They are available here https://www.rlam.co.uk/Knowledge-base/

We also published an internal paper on the empirical evidence for a link between corporate governance, executive remuneration and credit default and a further paper on climate change and the English water sector, which is the basis of an ongoing engagement project which we will report on more fully in the next reporting cycle.

We regularly speak at conferences and seminars where we are invited because of our perceived strength in responsible investment and obviously, we advocate that other investors take it more seriously, reference the PRI as the gold standard and offer suggestions based on our own experience. Our RI policy expressly endorses the UN PRI and discloses that consistent high performance in Reporting and Assessment is among our goals.

We also supported a call from UK asset owners for improved quality of disclosure by asset managers on ESG implementation:
https://www.responsible-investor.com/home/article/asset_managers_get_behind_esg_reporting/

OA 12 Voluntary Additional Assessed PRI 4,5,6

OA 12.1 Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.

☐ Yes
☐ Yes, individually
☐ Yes, in collaboration with others
### OA 12.2  Select the methods you have used.

- ☑ Endorsed written submissions to governments, regulators or standard-setters developed by others
- ☑ Drafted your own written submissions to governments, regulators or standard-setters
- ☑ Participated in face-to-face meetings with government members or officials to discuss policy
- □ Other, specify

### OA 12.3  Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

- ☑ Yes, publicly available

<table>
<thead>
<tr>
<th>Provide URL</th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="http://lawcommission.justice.gov.uk/mwg-internal/de5fs23hu73ds/progress?id=CJ6Mo5d4iAccWDRtikpmcTHyQvRe7OPl2Nynl7un9SbU">http://lawcommission.justice.gov.uk/mwg-internal/de5fs23hu73ds/progress?id=CJ6Mo5d4iAccWDRtikpmcTHyQvRe7OPl2Nynl7un9SbU</a></td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Provide URL</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Provide URL</th>
</tr>
</thead>
</table>

- □ No

### OA 12.4  Additional information.

In 2014 our CIO chaired the Association of British Insurers' Investment Committee, which convenes most of the largest UK investors and has an important role in promoting better corporate governance and reporting of ESG matters in the UK market and was a member of the Financial Reporting Council’s Audit and Assurance Council.

In 2014, we made submissions to the Law Commission on its report on fiduciaries (see above). Our views were referenced extensively in the resulting report.

In this period we also responded the Financial Reporting Council on review of The Corporate Governance Code (see above).

Our CIO was part of a small group of investors publicising their submission to the European Commission on the need to reconcile international accounting standards (see above), as one of the contributors to banks painting a wholly unrealistic picture of their assets and liabilities, resulting in massive capital destruction in the onset of the financial crisis of 2008.

We offered support with other investors for the UK Modern Slavery Bill passing through Parliament to include requirements for companies to report on their policies to discover and act on any practices in their supply chains that fall within the scope of the Bill:

We also lent our support to an investor statement in support of the OECD's tax transparency code at the G20 summit in Australia:


We do not have publicly available a bank of our submissions to regulators etc. however we do report on almost all such dealings through our quarterly and annual reporting to clients and to the public. We are transparent about our positions regarding responsible investment and sustainability. In any case, we always grant permission for our responses to be published by the consultor.

### ESG issues in asset allocation

<table>
<thead>
<tr>
<th>OA 13</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>OA 13.1</td>
<td>Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Yes
  - [ ] Allocation between asset classes
  - [ ] Determining fixed income duration
  - [x] Allocation of assets between geographic markets
  - [ ] Other, specify

| OA 13.2 | Describe how you apply ESG issues in strategic asset allocation and/or allocation of assets between geographic markets. |

Our Sustainable Trusts do allocate between geographic regions and countries based on ESG profiles, so that countries with high risks cannot exceed a specified level of an investment trust.

For all other funds, our consideration of ESG issues in strategic asset allocation is best described as ad hoc: we have had teach-ins on the macro-economic impacts of physical climate change for example and RLAM is planning to publish a public paper in 2015 on the stranded assets debate.

In 2015, RLAM appointed a Head of Multi-Asset. This position had not existed previously. We expect asset allocation to be more formalised than in the past and that ESG issues such as demographics, geopolitical factors and resource factors could be candidates for consideration in any such process.

- No

<table>
<thead>
<tr>
<th>OA 14</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>OA 14.1</td>
<td>Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Yes

| OA 14.2 | Indicate the percentage of your total AUM invested in environmental and social themed areas. |

<table>
<thead>
<tr>
<th>% of total AUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
</tbody>
</table>
Please specify which thematic area(s) you invest in and provide a brief description.

<table>
<thead>
<tr>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Clean technology (including renewable energy)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset class invested</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Listed equity</td>
</tr>
<tr>
<td>☐ Fixed income - corporate</td>
</tr>
<tr>
<td>☐ Fixed income - government</td>
</tr>
<tr>
<td>☑ Private equity</td>
</tr>
<tr>
<td>☐ Property</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brief description of investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The CIS Life Fund has a small allocation within its alternatives strategy to cleantech and to impact investing. These are made through investment trusts that invest in a range of public and private entities.</td>
</tr>
</tbody>
</table>

| ☐ Green buildings                         |
| ☐ Sustainable forestry                    |
| ☐ Sustainable agriculture                 |
| ☐ Microfinance                            |
| ☐ SME financing                           |
| ☑ Social enterprise / community investing |

<table>
<thead>
<tr>
<th>Asset class invested</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Listed equity</td>
</tr>
<tr>
<td>☑ Fixed income - corporate</td>
</tr>
<tr>
<td>☐ Fixed income - government</td>
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<tr>
<td>☑ Private equity</td>
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<tr>
<td>☐ Property</td>
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<tbody>
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</tr>
</tbody>
</table>

| ☑ Affordable housing                      |
## Asset class invested

- Listed equity
- Fixed income - corporate
- Fixed income - government
- Private equity
- Property
- Education
- Global health
- Water
- Other area, specify

## Asset class implementation not reported in other modules

<table>
<thead>
<tr>
<th>OA 15</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OA 15.1</strong></td>
<td>Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Asset Class

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Describe what processes are in place and the outputs or outcomes achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income - government</td>
<td>In 2013 we developed a proprietary scoring methodology for assessing ESG risk in sovereign bonds. This was primarily with a view to performing due diligence and screening on collective funds of sovereign debt and currency. Using internationally recognised benchmarks, we score individual sovereign issuers and collectives.</td>
</tr>
</tbody>
</table>

## Investment execution and advisory services

<table>
<thead>
<tr>
<th>OA 17</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>PRI 1,2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OA 17.1</strong></td>
<td>Indicate if your organisation takes account of responsible investment/ESG considerations when providing execution and/or advisory services.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Yes
- No

**OA 17.2**  Additional information.

In 2012 TCAM won the mandate to provide ESG advisory and engagement services to the National Employment Savings Trust (NEST). We are not an overlay business but will consider on a case-by-case basis clients who wish to engage our services in this area. We do not provide any execution-only services.
Royal London Asset Management

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.
Systematic integration of ESG factors across equities at RLAM is in early stages and reflects a number of acquisitions by RLAM over the years and different approaches by funds and teams within this. In late 2014, in recognition that some level of coordination and consistency is needed we came up with a proposal to provide the ESG team and, through them, the fund managers, with some visibility on E & S risks in portfolios and in top holdings (Corporate Governance issues are already well understood through the proxy voting process). We have done this by integrating data and ratings feeds from our services provider into a model which highlights outliers. These are then further analysed by the ESG specialists; to separate false flags from genuine risks, based on their knowledge of the sectors and companies. This is important in that the analysts know best which issues to place most weight on, in terms of potential materiality to financial performance.

The highlights of this research, in the form of a ‘dashboard’ are presented to the fund managers and a decision is made on how to act. Initially, we are focussing on the same top 200 securities (by size or RLAM’s investments) as we had done in our planning for corporate governance engagement in early 2014, but this time with an E & S focus. The intention is that this will be rolled out to a number of high-profile funds, especially where client interest is greatest (RLAM operates hundreds of portfolios, therefore a selective approach is a necessity). The outcome can include any or a combination of the following:

- engagement with the company
- adjusting our position in the company
- collaboration with other investors to canvas support for change, if appropriate.

We will monitor this process so that we can analyse the pilot phase, make adjustments and in future years be able to report internally and externally on progress.

During 2014, the ESG specialists continue to raise awareness among fund managers of relevant issues by meeting and by publishing research on company, regulatory and thematic matters. For example, there has been constructive, information discussions between the ESG team and equity fund managers of unscreened funds on the science and demographic assumptions around climate change and on fracking. In one case, another equity fund manager and the Head of RI co-wrote a press release in anticipation of a Treasury budget statement on benefit-sharing from fracking in England. Fund managers sometimes participate in meetings with the ESG specialists where the agenda is purely about ESG issues. So we see early and promising signs of information integration across equities at RLAM, also.
Screening alone (i.e. not combined with any other strategies)

<table>
<thead>
<tr>
<th>Percentage of active listed equity to which the strategy is applied - you may (estimate +/- 10%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 %</td>
</tr>
</tbody>
</table>

Thematic alone (i.e. not combined with any other strategies)

Integration alone (i.e. not combined with any other strategies)

<table>
<thead>
<tr>
<th>Percentage of active listed equity to which the strategy is applied - you may (estimate +/- 10%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 %</td>
</tr>
</tbody>
</table>

Screening + Integration strategies

Thematic + integration strategies

Screening + thematic strategies

All three strategies combined

<table>
<thead>
<tr>
<th>Percentage of actively managed listed equities to which each strategy or combination of strategies is applied - you may (estimate +/- 10%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 %</td>
</tr>
</tbody>
</table>

No incorporation strategies applied

<table>
<thead>
<tr>
<th>Percentage of active listed equity to which no incorporation strategy is applied - you may (estimate +/- 10%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 %</td>
</tr>
</tbody>
</table>

Total actively managed listed equities

100%

**LEI 03.2** Describe your primary reasons for choosing a particular ESG incorporation strategy.

The 50% screening number refers to the fact that in 2014, the approximate half of RLAM's active equities contributed from the CIS acquisition were screened for landmines and cluster munitions in line with a pre-existing policy.

Otherwise, as previously noted, RLAM operates a large number of equity portfolios, some of active and some passive, and there are overlapping holdings across these. Until RLAM’s acquisition of an SRI team in 2013, there was no systematic integration ESG factors into equities save for a voting policy. The RLAM Ethical Funds use negative screening only. The acquisition of TCAM added 5 sustainable trusts totalling £1Bn of AUM, which continue to combine positive and negative screening with elements of thematic investing and integration of ESG factors because of the close-knit working relations between the RI team and the Sustainable fund managers built up over many years.

For the remainder of equities, the RI team has aimed at matching our resource to a materiality-based approach to integration for both equities and bonds. In short, we aim in 2015 to provide a basic level of oversight of ESG risks covering at least 50% of RLAM’s equities by value. Once we have evaluated whether this exercise has or could add value, we will review the scope.
In 2014 the 5 Sustainable Trusts continued to use negative screening, thematic positive screening, integration and engagement (including voting, as is the case for all Sustainable Trusts for all markets and all RLAM active UK equities). RLAM's non-screened active equity funds still benefitted from engagement and voting. For the remainder of active but outsourced equities (one small fund), only voting and ad hoc engagement applied. The policy, process and governance for the Sustainable funds is explained here: https://www.rlam.co.uk/Products/Sustainable/Our-products/

While we agreed a broad plan to implement a basic level of integration over c. 50% of our equity holdings, this work will begin in earnest in H2 of 2015. As such, we cannot systematically report outcomes for RLAM-wide equity integration and it is more realistic to hope we can do this in 2016 at the earliest.

Type of ESG information
- Raw ESG company data

Indicate who provides this information
- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Company-related analysis or ratings

Indicate who provides this information
- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Sector-related analysis or ratings

Indicate who provides this information
4 ESG specialists use a variety of data sources to a) screen and monitor suitable companies for our Sustainable Trusts and b) provide ESG analysis and ratings for companies comprising c. 50% of RLAM’s equities by value. These sources include:

- IVA ratings, reports and alerts and business activity screener from Risk Metrics
- RepRisk reputation index scores and alerts
- Manifest company reports and IVIS general meeting advisories
- Company reporting and data direct from websites, meetings and calls
- Broker research principally from BofA ML, Societe Generale, UBS and JP Morgan Stanley which cover issues, sectors and individual stocks
- ESG data from Bloomberg terminals
- Other sources including paper and web-based media.

In the case of RLAM’s Ethical Funds, principal sources were:

- Screening data from EIRIS for our Ethical Bond and Equity Funds
- Company reporting and data direct from websites, meetings and calls
IVIS general meeting advisories.

**LEI 04.3** Indicate if you incentivise brokers to provide ESG research.

- Yes

**LEI 04.4** Describe how you incentivise brokers.

RLAM does not incentivise brokers in the sense of paying them a specific sum to produce bespoke research, however we pay a meaningful proportion of our research fees to divide up between those brokers that have best served our needs for ESG research, facilitating ESG relevant events and so on. We have also encouraged brokers to look at specific issues and provided feedback on their ESG research. We also vote for brokers in SRI/ESG categories in the Institutional Investor and Thomson Extel surveys, which play a role in the remuneration of brokers. Some of these brokers we do not have another research or broking relationship with, so are remunerated purely for their ESG work.

- No

**LEI 05** Voluntary

**LEI 05.1** Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.

- Engagement
  - We have a systematic process to ensure the information is made available.
  - We occasionally make this information available.
  - We do not make this information available.

- (Proxy) voting
  - We have a systematic process to ensure the information is made available.
  - We occasionally make this information available.
  - We do not make this information available.

**LEI 05.2** Additional information. [Optional]

2014 was characterised by the integration of the former TCAM staff into RLAM, albeit the former operating from its offices at the Wilmslow site, while having daily calls with London colleagues and typically visiting the London offices once a week.

In Q1 2014 we consulted the equity fund managers at both sites on our draft programme of systematic engagement, taking us up to the end of proxy season 2015. We will conduct the same exercise later this year.

There continued to be close-knit communication and interaction between ESG specialists, Junior Fund Managers and Senior Fund Managers: meetings with companies are held together and the Junior Fund Managers attend ESG-only meetings frequently. As such, there is a high, albeit informal degree of ‘recycling’ of engagement insight into the investment process within the former TCAM population.

More widely across RLAM and across sites, it has become the norm for RI specialists to consult fund managers across the business on both planned and reactive engagements; they are invited to meetings, sometimes attend in in any case analysis from engagement and conclusions are circulated among fund managers.

Often, this is predicated on proxy voting; where fund managers have been consulted in how to vote. 2014 saw an improvement in consistency and quality of communication of proxy voting as we centralised voting in the RI team, migrated all of RLAM’s holdings to an electronic platform and ensured RLAM had one voting position for each AGM, whereas in 2013, two different voting policies (TCAM and RLAM) with different levels of auditability and
depth. In short, our voting system is now far superior, if more narrowly focussed on active UK holdings (with the exception of the Sustainable Trusts, which still vote all holdings in all markets).

(A) Implementation: Screening

LEI 06 | Mandatory | Descriptive | PRI 1
--- | --- | --- | ---
LEI 06.1 | Indicate and describe the type of screening you apply to your internally managed active listed equities.

**Type of screening**
- ✔ Negative/exclusionary screening

**Screened by**
- ✔ Product
- ✔ Activity
- ✔ Sector
- ✔ Country/geographic region
- ✔ Environmental and social practices and performance
- ✔ Corporate governance

**Description**

RLAM's Ethical and Sustainable Trusts continue with their respective screening approaches. In the negative screens, there is a high degree of overlap: defence, tobacco and nuclear power and animal testing for cosmetics are either avoided entirely, or turnover limits (10%) apply. The difference is that the RLAM Ethical Funds use negative screens, only.

- ✔ Positive/best-in-class screening

**Screened by**
- ✔ Product
- ✔ Activity
- ☐ Sector
- ☐ Country/geographic region
- ✔ Environmental and social practices and performance
- ✔ Corporate governance
The Sustainable Trusts place even more emphasis on the positive and thematic criteria than the negative. The majority of companies have to derive a meaningful and growing proportion of revenue from products and services that contribute to sustainability. Companies that don't meet this criterion, don't fail the negative screens but are leaders in Corporate Social Responsibility are also acceptable. The decisions are governed by internal and independent external committees and our process is publicly described, here: https://www.rlam.co.uk/Products/Sustainable/Our-products/

☐ Norms-based screening

**LEI 06.2**  
**Description**

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

The screening criteria were laid down in the prospectuses when each fund was launched. There is no mechanistic process for reviewing them because an asset manager would only change something as fundamental as screening criteria with the permission of its unit holders, itself something that would only be considered in absolute necessity. However, our external advisory committee receives a report every two to three years updating them on trends in the market and commenting on whether the screening criteria would appear fit-for-purpose. So far, no changes have been made. The only change in recent years has been a greater emphasis, in the case of the Sustainable Trusts, on companies having to meet the positive criterion on products and services. RLAM has reported publicly in the past on how different sectors or themes are addressed by its screened trusts. For example, in 2013 we disclosed in detail how we reviewed the suitability of the banks and autos sectors. It may also consult clients on the desirability of harmonising and updating the screening criteria for the Ethical and Sustainable Trusts, if there were a powerful case for doing so.

**LEI 06.3**  
**Additional information. [Optional]**

The remarks here relate primarily to RLAM's Ethical Funds and Sustainable Trusts.

**LEI 07**  
**Mandatory**  
**Core Assessed**  
**PRI 1**

**LEI 07.1**  
**Indicate which processes your organisation uses to ensure that screening is based on robust analysis.**

- ☑ Comprehensive ESG research is undertaken or sourced to determine companies’ activities and products.
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☑ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☑ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- ☑ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☑ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above
Some of this has been described on the previous page. For Ethical Funds, the negative screening is outsourced to the research company EIRIS. For the Sustainable Trusts, a team of 4 shares responsibility for generating, responding to and screening potentially suitable investments. We use a number of external sources: principally MSCI IVA and Business Activity Screener in conjunction with a reputation tracking product from the company RepRisk. This assists us in a desktop analysis of the company that will also involve us doing our own research and often contacting companies for clarification or challenge. The analyst will then write up the company against the screening criteria and guide the internal committee on whether it appears to pass or fail the screen. The internal committee, which includes the Head of Responsible Investment, must reach unanimity either way. Where it does not, the analysis is referred to our external advisory committee, which advises on whether it should be added to the approved universe or not. In virtually all cases, the internal committee heeds the advice of the external committee and may then pass or fail the security on a simple majority. Should the internal committee ever not accept the recommendation of the external advisory committee, this will be explained to them, in full.

All holdings are reviewed at least every two years and are reviewed ad hoc where we become aware of developments that might render an approved security in breach of our criteria. This also provides an opportunity for a quality check on data integrity and supporting documentation. The advisory committee also acts as an independent check on the quality of the research and is empowered to challenge it where it does not meet its standards.

In 2014 RLAM implemented hard stops on the trading platforms using a list of companies prohibited from the Sustainable and Ethical Funds, respectively. A fund manager is physically unable to trade in these securities. This process is controlled my the risk and compliance function.

Should a breach be discovered, owing to for example, a clerical error, the reason why a breach happened in the first place is identified and any deficiency in our process is corrected.

Policy for Sustainable Funds where a breach occurs:

Once it has been verified that a held security is in breach, the Fund Manager will have at a maximum 6 months to divest of the security, though in practice, in the rare occasion where it has happened, the security has been sold much more quickly. Where the security is not already invested in but discovered to be in breach, it is removed from the approved investment universe immediately.

Regarding ensuring the approved investment universe is kept up-to-date, newsflow can result in securities being reviewed and then a) kept b) referred to our advisory committee c) thrown out; or a combination of these. Fund Managers also assist in that if they know there has been a material change in the business since it was approved they alert the ESG team, who will perform a re-screen. This has resulted in some previously approved securities being removed from the approved list.
Moreover, roughly every two years one analyst performs a re-screen of the approved list using a series of flags to catch companies which may have drifted from the grounds on which they were approved. This process has most recently been completed in March 2015.

**Ethical funds**

RLAM has outsourced the screening and compliance function for these trusts to EIRIS. RLAM receives alerts from EIRIS where a security appears non-compliant and the security is duly removed at the earliest opportunity. EIRIS has its own update schedule and quality control processes as part of its Service Level Agreement with RLAM.

### (B) Implementation: Thematic

<table>
<thead>
<tr>
<th>LEI 09</th>
<th>Mandatory</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEI 09.1</td>
<td>Indicate the type of sustainability thematic funds or mandates that your organisation manages.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐</td>
<td>Environmentally themed funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐</td>
<td>Socially themed funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓</td>
<td>Combination of themes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sustainable Trusts**

The process is publicly disclosed here: [https://www.rlam.co.uk/Products/Sustainable/Our-products/](https://www.rlam.co.uk/Products/Sustainable/Our-products/) As previously noted we have placed greater emphasis in recent years on approving to the Trusts securities whose products and services improve environmental and social conditions; for example, clean energy and energy efficiency, pollution control, education and social and financial inclusion. There are no hard and fast rules regarding, for example, a fixed per cent of revenues, though these factors do play a role in the analyst’s decision. It can also be about the direction of travel and whether there is a case to believe that, even if markets have not properly priced in the value of these activities, they will do so within our investment horizon i.e. a value approach to thematic investing. However, we distinguish our Sustainable Trusts from pure ‘climate’, ‘water’, ‘forestry’ and ‘impact investing’ type funds. They are generalist in nature, but with a bent toward solution companies.

### (C) Implementation: Integration of ESG issues

<table>
<thead>
<tr>
<th>LEI 10</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEI 10.1</td>
<td>Describe how you integrate ESG factors into investment decision making processes.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Systematic integration of ESG factors across equities at RLAM is in early stages and reflects a number of acquisitions by RLAM over the years and different approaches by funds and teams within this.

In late 2014, in recognition that some level of co-ordination and consistency is needed we came up with a proposal to provide the ESG team and, through them, the fund managers, with some visibility on ESG risks in portfolios and in top holdings. We have done this by integrating data and ratings feeds from our services provider into a model which highlights outliers. These are then further analysed by the ESG specialists; to separate false flags from genuine risks, based on their knowledge of the sectors and companies. This is important in that the analysts know best which issues to place most weight on, in terms of potential materiality to financial performance.

The highlights of this research, in the form of a ‘dashboard’ are presented to the fund managers and a decision is made on how to act. Initially, we are focussing on the same top 200 securities (by size or RLAM’s
investments) as we had done in our planning for corporate governance engagement in early 2014, but this time with an E & S focus. The intention is that this will be rolled out to a number of high-profile funds, especially where client interest is greatest (RLAM operates hundreds of portfolios, therefore a selective approach is a necessity). The outcome can include any or a combination of the following:

- engagement with the company
- adjusting our position in the company
- collaboration with other investors to canvas support for change, if appropriate.

We will keep records of this process so that we can analyse the pilot phase, make adjustments and in future years be able to report internally and externally on progress.

During 2014, the ESG specialists continue to raise awareness among fund managers of relevant issues by meeting and by publishing research on company, regulatory and thematic matters. For example, there has been constructive, information discussions between the ESG team and equity fund managers of unscreened funds on the science around climate change and demographics and on fracking. In one case, another equity fund manager and the Head of RI co-wrote a press release in anticipation of a Treasury budget statement on benefit-sharing from fracking in England. Fund managers sometimes participate in meetings with the ESG specialists where the agenda is purely about ESG issues. So we see early and promising signs of information integration across equities at RLAM, also.

### LEI 11

<table>
<thead>
<tr>
<th>ESG issues</th>
<th>Coverage/extent of review on these issues</th>
</tr>
</thead>
</table>
| Environmental | ○ We systematically review the potential significance of environmental issues and investigate them accordingly  
     ○ We occasionally review the potential significance of environmental issues and investigate them accordingly  
     ○ We do not review environmental issues |
| Social        | ○ We systematically review the potential significance of social issues and investigate them accordingly  
     ○ We occasionally review the potential significance of social issues and investigate them accordingly  
     ○ We do not review social issues |
| Corporate Governance | ○ We systematically review the potential significance of corporate governance issues and investigate them accordingly  
     ○ We occasionally review the potential significance of corporate governance issues and investigate them accordingly  
     ○ We do not review corporate governance issues |

**LEI 11.2** Additional information. [Optional]

We choose 'occasionally' here in the case of investigation of environmental and social issues because this reflects the varying degrees and timing of investigation we spend covering the Sustainable funds and other non-screened RLAM funds.

RLAM’s one externally managed equity fund received ad hoc analysis and engagement, and policy-based voting in 2014.

For Corporate Governance, all companies are analysed by virtue of our policy of voting on all UK ballots; where more than 90% of our equity by value is held.
In future years, we will look at to what extent it is justifiable to consider ESG performance pre-investment in equities and in bonds beyond the Sustainable and Ethical funds.

<table>
<thead>
<tr>
<th>LEI 12</th>
<th>Voluntary</th>
<th>Additional Assessed</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEI 12.1</td>
<td>Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☒ Comprehensive ESG research is undertaken or sourced to determine companies’ activities and products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☒ Company information and/or ratings on ESG are updated regularly</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ A periodic review of the quality of the research undertaken or provided is carried out</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☒ Other, specify</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The quality of ESG analysis, in terms of relevance, depth, accuracy and timeliness is a KPI for all specialist ESG staff &amp; appraised quarterly.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ None of the above</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| LEI 12.2 | Describe how ESG information is held and used by your portfolio managers. | | |
| ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff | | | |
| ☐ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff | | | |
| ☐ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions | | | |
| ☐ Other, specify | | | |
| ☐ None of the above | | | |

| LEI 12.3 | Additional information. | | |
| The above answers relate to our Sustainable Funds, which are the only equity funds that receive systematic ESG integration, presently. | | | |
| A spreadsheet is kept by the ESG team which all staff can access but only ESG staff can write on, which records all screening decisions, positive and negative, with a brief rationale. A more detailed screening analysis exists for every security screened in the last 5 years and these are kept in a central location. These are owned by the RI team and important for fund managers understanding the ESG rationale for their inclusion/exclusion. | | | |
### LEI 13.1

Indicate into which aspects of investment analysis you integrate ESG information.

- ☑ (Macro) economic analysis
  - ○ Systematically
  - ☑ Occasionally
- ☑ Industry analysis
  - ○ Systematically
  - ☑ Occasionally
- ☑ Analysis of company strategy and quality of management
  - ○ Systematically
  - ☑ Occasionally
- ☑ Idea generation
  - ○ Systematically
  - ☑ Occasionally
- ☑ Portfolio construction
- ☑ Fair value/fundamental analysis
  - ○ Systematically
  - ☑ Occasionally

### LEI 13.2

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis.

- ☑ Adjustments to income forecasts (sales, earnings, cash flows)
- ☑ Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- ☑ Other adjustments to fair value projections, specify
  - Estimate effect on share price from ESG newsflow and work with fund managers to model growth rates in key lines.
- ☑ Other, specify

### LEI 13.3

Additional information.

In 2014, the answers to LEI 13.1 and 13.2 applied only to the Sustainable Funds. In this period, other equity funds did not benefit from a systematic approach except in respect of voting and identifying large and/or underperforming-ESG companies across different portfolios for the purposes of targeted engagement. Through the previously discussed plan to provide basic oversight to at least 50% of the value of RLAM’s equities, we hope to provide a level of systemisation to ESG integration over the next few years.

### ESG incorporation in passively managed listed equities

<table>
<thead>
<tr>
<th>LEI 14</th>
<th>Mandatory to Report</th>
<th>Voluntary to Disclose</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEI 14.1</td>
<td>Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.</td>
<td>☑ Yes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
LEI 14.2 Indicate the percentage of your total passive listed equity funds for which ESG issues are incorporated in the index construction methodology.

(% of total passive listed equity funds)
- ○ <10%
- ○ 10-50%
- ○ 51-90%
- ○ >90%

LEI 14.3 Specify index/fund name, provide a brief description of ESG methodology and indicate which of the following ESG incorporation strategies you apply.

Index/fund 1

<table>
<thead>
<tr>
<th>Index/fund name and brief description of ESG methodology</th>
<th>ESG incorporation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIS UK FTSE4Good Fund. More information on the methodology is available here: <a href="http://www.ftse.co.uk/Indices/FTSE4Good_Index_Series/">http://www.ftse.co.uk/Indices/FTSE4Good_Index_Series/</a></td>
<td>☒ Screening</td>
</tr>
<tr>
<td>Essentially, the index derived from FTSE’s ranking of companies based on an externally validated assessment of company performance on:</td>
<td>☐ Themeatic</td>
</tr>
<tr>
<td>• Environmental Management</td>
<td>☐ of Integration of ESG issues</td>
</tr>
<tr>
<td>• Climate Change</td>
<td>☐ Other</td>
</tr>
<tr>
<td>• Human and Labour Rights</td>
<td></td>
</tr>
<tr>
<td>• Supply Chain Labour Standards</td>
<td></td>
</tr>
<tr>
<td>• Countering Bribery</td>
<td></td>
</tr>
</tbody>
</table>

More details are available, here: http://www.ftse.co.uk/Indices/FTSE4Good_Index_Series/Downloads/FTSE4Good_Inclusion_all_copy_Aug2013.pdf

Index/fund 2
Royal London Group and its subsidiaries are the sole owner of a number of passive and active equity portfolios for which there is an exclusion on companies manufacturing cluster munitions. We use a list generated by MSCI but carry out further research to confirm the validity of its findings. The policy will come into effect in Q2 2015.

<table>
<thead>
<tr>
<th>Index/fund name and brief description of ESG methodology</th>
<th>ESG incorporation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal London Group and its subsidiaries are the sole owner of a number of passive and active equity portfolios for which there is an exclusion on companies manufacturing cluster munitions. We use a list generated by MSCI but carry out further research to confirm the validity of its findings. The policy will come into effect in Q2 2015.</td>
<td>☐ Screening</td>
</tr>
</tbody>
</table>

☐ Index/fund 3
☐ Index/fund 4
☐ Index/fund 5
☐ No

### Outputs and outcomes

<table>
<thead>
<tr>
<th>LEI 15</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEI 15.1</td>
<td>Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.</td>
<td>☐ Screening</td>
<td></td>
</tr>
</tbody>
</table>

Describe any reduction in your starting investment universe or other effects.

The screening process for the Sustainable Funds results in, on average, 1 in 3 securities being rejected. This does not account for the fact that, to some extent, the fund managers self-censor in that they tend not to put forward securities that are manifestly unsuitable, so this 1 in 3 rejection rate comes after that initial screening. This process also acts as partial feed for RLAM's other funds that don't have formal screens attached, as they get the benefit of all researched ideas. Where a company's practices are flagged to be particularly egregious, such that it is agreed they represent a severe investment risk, fund managers of unscreened funds will avoid them. We have documented several examples of this having happened in 2014 and increasingly, our fixed income team is showing interest in the results of our screening for the Sustainable Trusts (they are on the circulation list for all screening decisions even though they do not manage the sustainable trusts).

In the case of RLAM's Ethical Funds ESG incorporation via negative screening affects somewhat the investible universe.

Specify the percentage reduction

<table>
<thead>
<tr>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
</tr>
</tbody>
</table>

☐ Thematic
☐ Integration of ESG issues
Select which of these effects followed your ESG integration:

- ☑ Reduce or prioritise the investment universe
- ☐ Overweight/underweight at sector level
- ☑ Overweight/underweight at stock level
- ☑ Buy/sell decisions
- ☑ Other, specify

All active funds exclude stocks where the fund managers accept that a stock's ESG performance is so poor that is an unacceptable investment risk.

- ☐ None of the above
- ☑ Index incorporating ESG issues (for passively managed funds)

Describe the influence on composition or other effects

CIS UK FTSE4Good Tracker Trust's methodology is described here: http://www.ftse.co.uk/Indices/FTSE4Good_Index_Series/Downloads/FTSE4Good_Inclusion_all_copy_Aug2013.pdf

Every year, the index changes with constituents leaving and being added according to how they have performed in the review of their Corporate Responsibility policies and practices. This process is managed independently of CIS/RLAM.

The effect of implementing the negative screen on cluster munitions and landmines across various relevant portfolios has only increased tracking error to a negligible degree.

Conversely, the ESG research around a company sometimes adds confidence to an investment case, especially where the careful management of high environmental and social risk is concerned, or for instance, where we are trying to understand the competitiveness of a technology or its prospects for growth, e.g. in clean energy.

Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.

- ☑ ESG issue 1
## ESG issue and explanation

On three separate occasions in 2014, the company attempted to pass a resolution to approve a special bonus scheme for Executive Director Mike Ashley. The company asserted that the schemes were designed to incentivise Mr Ashley for achieving exceptional stretch performance and to recognise his contribution to the business, given that he receives no remuneration and does not participate in the company's existing incentive schemes. In September 2014, the company was finally successful in passing a resolution to approve a pay scheme for Mr Ashley. However, shortly following the AGM, Mr Ashley announced that he would not participate in the scheme. We opposed each resolution citing concerns about the structure of the scheme and the quantum of awards, which were up to £70 million over a two year period under one iteration of the scheme. We also questioned the company's rationale that Mr Ashley required additional incentivisation given that at the time he owned nearly 63% of the issued share capital. We met with the Remuneration Committee Chairman once privately and once with a group of investors. We met with the Chairman twice as part of a group of investors. We also wrote to the company on three occasions to inform them of our votes. During those meetings, we discussed our concerns about the remuneration plan in particular, and about the way the board had failed to engage with shareholders productively in advance of each vote. We also had a lengthy discussion about the governance of the company, and shareholder concerns that it had yet to appoint a finance director and a company secretary. There were also concerns that Sports Direct did not have a functioning investor relations department, and that tensions with institutional shareholders has escalated. During the discussions we became increasingly concerned about the internal governance and controls of the company. At the same time, Mike Ashley was pursing various business deals using complex financial strategies which were not core to the business. This escalated our concerns about governance risks and board oversight.

### ESG incorporation strategy applied

- [ ] Screening
- [ ] Thematic
- [ ] Integration
- [x] Combination of ESG incorporation strategies
- [ ] Index incorporating ESG issues

### Impact on investment decision or performance

During our engagement, we were in regular contact with our fund managers that held active positions in Sports Direct, sharing meeting notes and findings from our meetings with the Board. In the Autumn 2014, both fund managers took the decision to sell their active positions. The mounting evidence of governance concerns was certainly one factor that influenced the final decision. One fund manager observed that the company's stock price fell 5% the week following his decision to sell. RLAM continues to hold a passive position in Sports Direct through our tracker funds and therefore continues to watch this case with interest.

[ ☒ ] ESG issue 2
ESG issue and explanation

A long running concern of ours with Tesco, and the sector, has been the long held belief that their control over suppliers has been less than fairly equitable with the suspicion that the grocers hold the sway when negotiating terms of trade. The new management team at Tesco grasped the nettle as to the level of supplier commercial income with the promise that future supplier relationship would be more equitable and accountable, hopefully heralding an era of less overt pressure on supplier’s working capital. Indeed Morrison’s took the issue a step further when they declared the level of commercial income, recently.

ESG incorporation strategy applied

☐ Screening
☐ Thematic
☒ Integration
☐ Combination of ESG incorporation strategies
☐ Index incorporating ESG issues

Impact on investment decision or performance

A long running negative ESG issue is slowly being resolved which would be reflected in the prospective valuation. As such, a change in policy to suppliers, in response to social pressure, removed a negative ESG issue that had held back investment thesis.

☐ ESG issue 3
☐ ESG issue 4
☐ ESG issue 5

Communication

LEI 18  |  Mandatory  |  Core Assessed  |  PRI 2,6

LEI 18.1  |  Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

☒ We disclose it publicly

Provide URL

LEI 18.2  Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes

LEI 18.3  Indicate the information your organisation proactively discloses to clients/beneficiaries and the public regarding your approach to ESG incorporation.

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

LEI 18.4  Indicate how frequently you typically report this information.

- Quarterly or more frequently
- Between quarterly and annually
- Less frequently than annually
- Other, specify
- No

- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries
Royal London Asset Management

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer
This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.
Royal London Asset Management is one of the UK's leading asset managers, managing over £85 billion of assets on behalf of a wide range of institutional, discretionary and advisory clients. We believe we have a responsibility to use our investment strength to promote positive corporate behaviour to the benefit of our clients and the wider community. Royal London Asset Management has consistently taken seriously issues such as being a good steward of client assets and promoting improved standards of corporate governance. We will continue to make acting as a responsible investor a core part of what we do as an asset manager. The team we acquired from The Co-operative Asset Management has 25 years of experience of running Sustainable funds and we can evidence that this style of investment, done well, can outperform the market, producing strong and steady returns.

Our approach to engagement is both pro-active (in identifying latent issues before they crystallise) and reactive where necessary. Engagement is time-consuming, so we systematically decide how we will devote our resource according to 1) materiality to our investments 2) ability to influence change 3) importance to our clients and 4) impact on our reputation.

In 2014 all levels of the business had first-hand involvement in engagement: the CIO, the portfolio managers and the dedicated Responsible Investment Team. We routinely hold meetings where both financial and ESG specialists are present.

Who we engage at a company will depend on the issue and the level of technical specialisation involved, but our preference is to at least make the board aware of it as an issue that has the support of portfolio managers and ESG specialists and to test the knowledgability of board members on material ESG issues. We frequently request or respond to requests with/from boards, including executives and non-executives and because RLAM is frequently a top 20 holder in the company, we enjoy excellent access to management.
<table>
<thead>
<tr>
<th>Type of engagement</th>
<th>Reason for interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual/Internal staff engagements</td>
<td>☑ To support investment decision-making (e.g. company research)</td>
</tr>
<tr>
<td></td>
<td>☑ To influence corporate practice (or identify the need to influence) on ESG issues</td>
</tr>
<tr>
<td></td>
<td>☑ To encourage improved ESG disclosure</td>
</tr>
<tr>
<td></td>
<td>☐ Other, specify</td>
</tr>
<tr>
<td></td>
<td>☐ We do not engage via internal staff</td>
</tr>
<tr>
<td>Collaborative engagements</td>
<td>☑ To support investment decision-making (e.g. company research)</td>
</tr>
<tr>
<td></td>
<td>☑ To influence corporate practice (or identify the need to influence) on ESG issues</td>
</tr>
<tr>
<td></td>
<td>☑ To encourage improved ESG disclosure</td>
</tr>
<tr>
<td></td>
<td>☐ Other, specify</td>
</tr>
<tr>
<td></td>
<td>We are also involved in collaborative engagements with regulators and trade bodies, for example, with the aim of influencing policy.</td>
</tr>
<tr>
<td></td>
<td>☐ We do not engage via collaborative engagements</td>
</tr>
<tr>
<td>Service provider engagements</td>
<td>☑ To support investment decision-making (e.g. company research)</td>
</tr>
<tr>
<td></td>
<td>☑ To influence corporate practice (or identify the need to influence) on ESG issues</td>
</tr>
<tr>
<td></td>
<td>☑ To encourage improved ESG disclosure</td>
</tr>
<tr>
<td></td>
<td>☐ Other, specify</td>
</tr>
<tr>
<td></td>
<td>☐ We do not engage via service providers</td>
</tr>
</tbody>
</table>

**LEA 02.2** Additional information. [Optional]

We also conduct engagement on behalf of clients who retain us for ESG services and/or fund management for National Employment Savings Trust (NEST).

**Process**

**Process for engagements run internally**

<table>
<thead>
<tr>
<th>LEA 03</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEA 03.1</td>
<td>Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

☑ Yes
LEA 03.2 Describe how you identify and prioritise engagements.

In early Q1 of each year, portfolio managers are surveyed on which companies and issues they are most exercised about. This is compared to a list of our top holdings and overlaps are identified. For example, in 2014 issues identified were egregiously large pension pots for executive directors and the absence of relevant biographical detail for directors who may have been bankrupts or have criminal records. Through this process, a target list of companies is identified and we continue to engage with these.

We also plan larger engagement projects on a thematic basis. Each year, we cross-reference the companies in which we have the largest holdings with those whose corporate governance or environmental and social practices pose highest risk and conduct pre-emptive engagement to ensure our views are heard. Some work is planned and thematic whereas other engagements are necessarily reactive to events. We track the number, nature and goals of our engagements, as well as the outcomes.

We report on our engagement outcomes in quarterly public reports and to the UN PRI. We initiate or join collective engagements with other investors where we believe it will be more effective than engaging alone or to draw attention to a worthy topic.

The Executive Committee is made aware of all planned engagement projects for the year ahead, and the Management Committee receives formal briefings once a month, as well as being in very regular contact with members of the the ESG team.

○ No

LEA 04 Mandatory Core Assessed PRI 2

LEA 04.1 Indicate if you define specific objectives for your engagement activities.

○ Yes
  ○ Yes, for all engagement activities
  ○ Yes, for the majority of engagement activities
  ○ Yes, for a minority of engagement activities
  ○ No

LEA 04.2 Indicate if you monitor the actions that companies take following your engagements.

○ Yes
  ○ Yes, in all cases
  ○ Yes, in the majority of cases
  ○ Yes, in the minority of cases

LEA 04.3 Describe how you monitor and evaluate the progress of your engagement activities.

The ESG Team holds weekly meetings where each person is required to re-cap and update on their engagements and other projects. The Head of Responsible Investment meets with each team member quarterly to review progress against KPAs and KPAs, which will include engagement projects. This requires those responsible to monitor companies or regulators against what was agreed to be desirable, realistic change. We also report on most of our engagement activity through quarterly reports.

Care has to be taken in evaluating the ‘success’ of engagement. It is relatively rare that one investor can confidently take total credit for a positive change, though it does happen from time to time. Our experience is that while positive changes, for example, an agreement to report data, stop using an errant supplier, or change the performance criterion on a bonus - or not award one at all- do happen often, it is fair to infer that it happened because of multiple reasons, or multiple sources of pressure, or both. We are wary of spuriously taking credit for what are collective, if not necessarily co-ordinated efforts.

In the spirit of this, we do not just report ‘the good news’. We are candid in saying in our public reporting where we have asked for something but the company or regulator has declined.
Process for engagements conducted via collaborations

LEA 05  Mandatory  Core Assessed  PRI 2

LEA 05.1  Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

☐ Yes

LEA 05.2  Describe how you identify and prioritise collaborative engagements.

Generally we prefer the majority of our collaborative engagements to be where we are playing an active part. An example of this in 2014 was our role in a group of UK investors that produced a guide for company disclosure on corporate tax. We will sometimes agree to lend our AUM to something which we believe in but think other investors or partners are better placed to lead on; such as the statement by the UK’s LAPFF in support of the OECD’s code on tax transparency at the G20 meeting in Australia in 2014.

Consideration is given also to the profile of the other investors collaborating and the realismness of their ‘asks’. Broadly, we prefer collaboration where we believe it is much more likely to generate a positive outcome than individual engagement, or where it important that an issue or view receives a public airing from a visibly strong institutional investor base.

☐ No

LEA 06  Mandatory  Core Assessed  PRI 2

LEA 06.1  Indicate if the collaborative engagements in which you are involved have defined objectives.

☐ Yes

☐ Yes, for all collaborative engagement activities
☐ Yes, for the majority of collaborative engagement activities
☐ Yes, for a minority of collaborative engagement activities
☐ No

LEA 06.2  Indicate if you monitor the actions companies take following your collaborative engagements.

☐ Yes

☐ Yes, in all cases
☐ Yes, in the majority of cases
☐ Yes, in the minority of cases

LEA 06.3  Describe how you monitor and evaluate the progress of your collaborative engagement activities.

The same process applies as for individual engagements, described earlier: The ESG team holds weekly meetings where each person re-caps and update on their engagements and other projects. The Head of Responsible Investment meets with each team member quarterly to review progress against KPAs and KPAs, which will include engagement projects. This requires those
responsible to monitor companies or regulators against what was agreed to be desirable, realistic change. We also report on most of our engagement activity through quarterly reports.

In addition, in the case of collaborative engagements we sometimes decide to cease participation where we believe there has been mission creep or where the initiative lacks direction and we are unable to fix this. Engagement is time-consuming, so we are mindful of not getting bogged down in unproductive ones.

○ No

---

**General processes for all three groups of engagers**

<table>
<thead>
<tr>
<th>LEA 10</th>
<th>Mandatory</th>
<th>Gateway/Core Assessed</th>
<th>PRI 2</th>
</tr>
</thead>
</table>

**LEA 10.1** Indicate if you track the number of engagements your organisation participates in.

<table>
<thead>
<tr>
<th>Type of engagement</th>
<th>Tracking engagements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual / Internal staff engagements</td>
<td>Yes, we track the number of our engagements in full</td>
</tr>
<tr>
<td></td>
<td>Yes, we partially track the number of our engagements</td>
</tr>
<tr>
<td></td>
<td>No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers</td>
</tr>
<tr>
<td></td>
<td>No, we do not track and cannot estimate our engagements</td>
</tr>
<tr>
<td>Collaborative engagements</td>
<td>Yes, we track the number of our engagements in full</td>
</tr>
<tr>
<td></td>
<td>Yes, we partially track the number of our engagements</td>
</tr>
<tr>
<td></td>
<td>No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers</td>
</tr>
<tr>
<td></td>
<td>No, we do not track and cannot estimate our engagements</td>
</tr>
</tbody>
</table>

**LEA 10.2** Additional information. [Optional]

The ESG team maintains a spreadsheet of all engagements with relevant information classifying them by issue, date, response expected, whether the objectives were achieved in part, in full, or not at all. This data is reported in summary form in our public quarterly reports.

---

**Outputs and outcomes**

<table>
<thead>
<tr>
<th>LEA 11</th>
<th>Mandatory to Report Voluntary to Disclose</th>
<th>Core Assessed</th>
<th>PRI 2</th>
</tr>
</thead>
</table>

**LEA 11.1** Indicate the number of companies with which your organisation engaged during the reporting year.
<table>
<thead>
<tr>
<th>Type of engagement</th>
<th>Number of companies engaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual / Internal staff engagements</td>
<td>196</td>
</tr>
<tr>
<td>Collaborative engagements</td>
<td>58</td>
</tr>
</tbody>
</table>

**LEA 11.2** Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

<table>
<thead>
<tr>
<th>Type of engagement</th>
<th>% Comprehensive engagements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual / Internal staff engagements</td>
<td>&gt; 50%&lt;br&gt;10-50%&lt;br&gt;&lt;10%&lt;br&gt;None</td>
</tr>
<tr>
<td>Collaborative engagements</td>
<td>&gt;50%&lt;br&gt;10-50%&lt;br&gt;&lt;10%&lt;br&gt;None</td>
</tr>
</tbody>
</table>

**LEA 11.3** Indicate what percentage of your collaborative engagements you were a leading organisation on during the reporting year. [Optional]

<table>
<thead>
<tr>
<th>Type of engagement</th>
<th>% Leading role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaborative engagements</td>
<td>&gt;50%&lt;br&gt;10-50%&lt;br&gt;&lt;10%&lt;br&gt;None</td>
</tr>
</tbody>
</table>

**LEA 12** Voluntary Additional Assessed PRI 2

**LEA 12.1** Indicate if your engagements in the reporting year covered E, S and/or G issues.
<table>
<thead>
<tr>
<th>Type of engagement</th>
<th>Coverage</th>
</tr>
</thead>
</table>
| Individual / Internal staff engagements | ☑ Environmental  
☑ Social  
☑ Corporate Governance  
☐ We do not track this information |
| Collaborative engagements   | ☑ Environmental  
☑ Social  
☑ Corporate Governance  
☐ We do not track this information |

**LEA 12.2** Provide an estimated breakdown by E, S and/or G issues.

<table>
<thead>
<tr>
<th>Individual / Internal staff engagements</th>
<th>% Environmental only</th>
<th>% Social only</th>
<th>% Corporate Governance only</th>
<th>% Overlapping ESG issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11</td>
<td>19</td>
<td>68</td>
<td>2</td>
</tr>
</tbody>
</table>

**100%**

<table>
<thead>
<tr>
<th>Collaborative engagements</th>
<th>% Environmental only</th>
<th>% Social only</th>
<th>% Corporate Governance only</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14</td>
<td>51</td>
<td>33</td>
</tr>
</tbody>
</table>
LEA 13 Voluntary Descriptive PRI 2

**LEA 13.1** Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation’s and/or your service provider’s engagement activities.

- Yes

**LEA 13.2** Indicate the number of companies that changed or committed to change in the reporting year following your organisation’s and/or your service provider’s engagement activities.

<table>
<thead>
<tr>
<th>Number of company changes or commitments to change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual / Internal staff engagements: 44</td>
</tr>
<tr>
<td>Collaborative engagements: 1</td>
</tr>
</tbody>
</table>

- No

LEA 14 Voluntary Descriptive PRI 2

**LEA 14.1** Provide examples of the engagements that your organisation carried out during the reporting year.

- Add Example 1
Audit is a critical component of corporate governance and accountability, but it can be overlooked by investors.

**Conducted by**

- Individual / Internal
- Collaborative

**Objectives**

We worked with a client over 18 months to better understand the audit function, and to speak to companies about auditor independence and rotation of the external audit firm.

**Scope and Process**

We met with eight companies in 2014. We found that directors are worried about mandatory tendering and rotation. Concerns raised by companies included:

- Time and cost to the business
- The disruption caused to day-to-day operations
- The lack of necessary expertise or international network of practitioners to undertake the audit effectively
- "If it 'aint broke, don't fix it."

**Outcomes**

We found the following:

- The relationship between the Audit Committee Chairman, the external auditor and the Finance Director is critical.
- Companies that rotated the audit contract were generally pleased with the results and appreciated having a fresh set of eyes on the accounts, despite having some reservations at the outset.
- Changing the external auditor often led to a complex cascade of other contract changes (tax advice, pensions etc) due to the extensive non-audit service provided by the large audit firms.
- Most companies were hesitant about selecting a non-Big Four firm. Only small companies with domestic operations would consider appointing a smaller audit firm.
- Companies are being innovative in how they run their RFP processes when re-tendering the audit contract, emphasising the need for the process to be done quickly and efficiently.

As a result of these insights, we have now started regularly asking companies questions about how the audit process works.
## Best ESG practice in fracking

**Objective**: We were part of the UN PRI clearinghouse group that engaged with a range of companies involved across the fracking value chain after benchmarking their disclosure standards against a best practice framework commissioned by the PRI. The aim was to encourage more and better disclosure from companies as well as assess the general state of preparedness in the industry to meet increasing regulatory and societal expectations and concerns.

**Scope and Process**: RLAM was the lead investor engaging with Halliburton. It involved a call with Halliburton specialists and follow-up emails.

**Outcomes**: Following the call with Halliburton, we revised our expectations about what service companies can and cannot disclose on, which made the benchmark more realistic but also encouraged Halliburton to continue to promote its environmentally friendlier and energy efficient products to clients. We also challenged them on faulty reporting against the GRI standard in their CSR report.

## Can apparel supply chains be ethical?

**Objective**: We supported the inclusion of legislation on supply chains and the important role of the private sector within The Modern Slavery Bill, which is currently progressing through Parliament.

**Scope and Process**: We have consulted with NGOs, industry specialists and large retailers to develop a better understanding of the risks and company management.

**Outcomes**: We found that some retailers still treat corporate responsibility as a box-ticking exercise. However, some brands are investing in pioneering programmes with the long-term goal of securing sustainable and ethical sourcing. There’s a big gap between leaders and laggards and a lot of work still needs to be done, particularly as retailers explore new production regions, such as Myanmar.
<table>
<thead>
<tr>
<th>Topic or ESG issue</th>
<th>Board skills and water shortages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conducted by</td>
<td>☑ Individual / Internal</td>
</tr>
<tr>
<td></td>
<td>□ Collaborative</td>
</tr>
</tbody>
</table>

**Objectives**

Our Sustainable investment team had been following Tate & Lyle closely for a few years, particularly its speciality food ingredients (SFI) business which develops low sodium and low calorie additives for packaged foods in light of the global obesity crisis and the need for healthier food products. However, the SFI business has suffered from supply chain disruption and intense competition in 2014 and we wanted to assess its prospects going forward.

**Scope and Process**

In our meeting, we discussed developing non-executive directors’ expertise of the SFI business as well as recent appointments to boost the board’s knowledge of emerging markets.

In addition, we asked Tate & Lyle about the impact of water scarcity on its supply chain as the company sources corn from parts of the US with increasingly volatile weather patterns.

**Outcomes**

We were pleased to learn that Tate & Lyle has begun to diversify its supply chain in order to manage this risk, and is engaging small-scale farmers on efficient management of water resources. We encouraged Tate & Lyle to reassure stakeholders by reporting in more detail on its initiatives to date.
<table>
<thead>
<tr>
<th>Topic or ESG issue</th>
<th>Data privacy</th>
</tr>
</thead>
</table>
| Conducted by       | ☑ Individual / Internal  
|                    | ☐ Collaborative |
| Objectives         | We engaged media and web-based companies to understand their management of customer privacy risks. |
| Scope and Process  | Individuals' browsing habits and data submitted online provides firms with a rich source of information. Used well, this data provides insights that can inform service improvements and generate ideas for new revenue streams. At the same time, using customers' data presents potential risks around privacy and consumer trust. In light of forthcoming EU legislation that will force companies to re-examine how they are using and protecting customer data, we met with Rightmove, Daily Mail General Trust and Zoopla to better understand their approach. |
| Outcomes           | These firms use data and data analytics in different ways, but all three were keen to stress the importance of user anonymity - individuals do not need to register their details to browse properties or news stories. The companies we met with were confident that this offered them a degree of protection from the forthcoming legislation, but we continue to watch this area with interest. As we have seen in the recent case with Google, this is an evolving area of law and for certain companies, exposure to customer privacy risks may grow over time. |
### Topic or ESG issue
- Bribery and Corruption

### Conducted by
- □ Individual / Internal
- ✓ Collaborative

### Objectives
To benchmark sectors on their compliance programmes to address bribery and corruption and share best practice standards across industries.

### Scope and Process
We worked with a client to identify the pharmaceutical and defence sectors for engagement. We met with three companies in 2014 and sent letters to an additional five companies. In most cases we met with the head of compliance and the company secretary.

### Outcomes
Although this project is still ongoing, we have started to identify best practices for creating the right sales incentives, tracking corruption risk by product, understanding regional risks and how risks differ between countries, and developing the right internal culture.

- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10

## Communication

### LEA 15
- Mandatory
- Core Assessed
- PRI 2.6

#### LEA 15.1
Indicate whether your organisation proactively discloses information on its engagements.
- ⊗ We disclose it publicly

#### LEA 15.2
Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
- ⊗ Yes

#### LEA 15.3
Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.

**provide URL**

https://www.rlam.co.uk/About/Responsible-Investing/Responsible-Investing/
Engagement information disclosed

- Details of the selections, priorities and specific goals of engagement
- Number of engagements
- Breakdown of engagements by type/topic
- Breakdown of engagements by region
- An assessment of the current status of the engagement
- Outcomes that have been achieved from the engagement
- Other information

We also provide analysis on commentary on themes, consultations or other topics which provide the intellectual basis for our engagement.

LEA 15.4 Indicate how frequently you typically report engagements information.

- Disclosed continuously (prior to and post engagements)
- Disclosed quarterly
- Disclosed annually
- Disclosed every two years or less
- Other, specify
- No

- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries.

(Proxy) voting and shareholder resolutions

Overview

Since 2008 RLAM has voted according to detailed, publicly disclosed corporate governance policies. RLAM votes all its shares in UK listed companies, which accounts for the great majority of our equity holdings. We do not presently vote our overseas holdings as it is not cost-effective and transparency on vote delivery is very poor.

Our voting policy is reviewed annually and incorporates the views of our fund managers and governance best practice. We also disclose how we vote and the rationale for our vote. Our online searchable voting database is updated monthly.

For investors, voting can become an automated affair. We strive to avoid this, using our votes to hold companies to high standards. Increasingly, companies approach us to seek our views on governance and remuneration matters because we are a top twenty shareholder. It is common for these meetings to involve responsible investment and fund manager staff. We vote or otherwise participate in shareholder resolutions on a case-by-case basis. We may break with our default position of supporting management where we believe the resolution has been properly abled, raises concerns material to institutional investors and has been inadequately addressed by the company. We sometimes attend AGMs and would table a shareholder resolution where the circumstances warranted it.
All our votes all shares in a consistent fashion via an electronic, auditable and transparent voting platform. We use external research to help inform our views, but our in-house team always makes the final voting decision based on our voting policy, expertise, and understanding of companies’ unique circumstances. We write to all our active holdings where we have not supported recommendations of the Board on General Meeting resolutions to explain our vote.

RLAM uses Manifest and IVIS to provide research but these do not provide voting recommendations. We have over 15 years built up an extensive voting database that is rich in analysis and knowledge about corporate governance issues. As such, our approach is very much ‘in house’ and we contact companies whose corporate governance concern us particularly, in advance of proxy season. Each ballot item is considered by our dedicated corporate governance specialists. The latter provide often detailed analysis of how we should vote and do so in consultation with the fund managers, who frequently express their own views, for example, on the appropriateness of the incentive structures and targets a company uses.

### LEA 17

**Indicate how you typically make your (proxy) voting decisions and what this approach is based on.**

- [ ] We use our own research or voting team and make our own voting decisions without the use of service providers.
- [x] We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

#### Approach

- [ ] Based primarily on
  - the service provider voting policy signed off by us
  - our own voting policy
  - our clients requests or policy
  - other, explain

- [ ] We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

- [ ] We hire service provider(s) which make voting decisions on our behalf.

### LEA 19

**To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.**

- [x] Obtain confirmation that votes have been received by the company:
  - [x] for a majority of votes
  - [ ] for a minority of votes

- [ ] Participate in projects to improve the voting trail and/or to obtain vote confirmation

- [ ] None of the above
LEA 19.2 Provide additional information on your organisation’s vote confirmation efforts.

Our proxy service provider Manifest gathers vote confirmations on our behalf and will flag up any concerns as is necessary.

LEA 20 Voluntary Additional Assessed PRI 2

LEA 20.1 Indicate if your organisation has a securities lending programme.

☒ Yes

LEA 20.2 Indicate how voting is addressed in securities lending programme.

Please select one of the following

☐ We recall most securities for voting on all ballot items
☐ We recall some securities for voting on some ballot items on a systematic basis in line with specified criteria
☒ We occasionally recall some securities for voting on some ballot items on an ad-hoc basis
☐ We empower our securities lending agent to decide when to recall securities for voting purposes
☐ We do not recall our shares for voting purposes
☐ Other (please specify)

☐ No

LEA 20.3 Additional information. [Optional]

Our corporate governance team monitors our holdings for situations where we are aware there is an activist investor borrowing shares or where, for example, there are shareholder resolutions that either we or others have tabled. We may recall stock to vote our shares if we feel it is in the best interest of our clients.

LEA 21 Mandatory Core Assessed PRI 2

LEA 21.1 Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.

☒ Yes, in most cases
☐ Sometimes, in the following cases:
☐ No
☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2 Additional information. [Optional]

RLAM writes to its active UK holdings explaining in detail why it has not supported them at their General Meetings and inviting them to dialogue. We have found that this is the most effective way to target our resource for a large, diversified asset manager with an emphasis on active equity management within the UK, where we vote.

Our website voting record, updated once a month, gives summary information on how we have voted and why, where we are not in support of management on a resolutions, at General Meetings.
### LEA 22

**Mandatory**

<table>
<thead>
<tr>
<th>LEA 22.1</th>
<th>For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ We do track or collect this information</td>
<td></td>
</tr>
</tbody>
</table>

**Votes cast (to the nearest 1%)**

| % |
| 73 |

**Specify the basis on which this percentage is calculated**

- ☐ of the total number of ballot items on which you could have issued instructions
- ☐ of the total number of company meetings at which you could have voted
- ☐ of the total value of your listed equity holdings on which you could have voted

<table>
<thead>
<tr>
<th>LEA 22.2</th>
<th>If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ We do not track or collect this information</td>
<td></td>
</tr>
</tbody>
</table>

### LEA 23

**Voluntary**

<table>
<thead>
<tr>
<th>LEA 23.1</th>
<th>Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Yes, we track this information</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LEA 23.2</th>
<th>Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:</th>
</tr>
</thead>
</table>
Voting instructions

<table>
<thead>
<tr>
<th>Voting instructions</th>
<th>Breakdown as percentage of votes cast</th>
</tr>
</thead>
<tbody>
<tr>
<td>For (supporting) management recommendations</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>85</td>
</tr>
<tr>
<td>Against (opposing) management recommendations</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Abstentions</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

100%

**LEA 23.3** For the reporting year, describe your approach towards voting on shareholder resolutions.

We consider each shareholder resolution on a case-by-case basis, but in general, we support most shareholder resolutions.

○ No, we do not track this information

**LEA 23.4** Additional information.

The voting statistics above refer only to the RLAM CIS (the former Cooperative Asset Management) portion of the equity assets. During 2014, RLAM did not systematically track the voting data for its equity funds. However, as of January 2015 we are now voting under one system and will be able to provide more accurate and centralised data in future years.

**LEA 24** Voluntary

**LEA 24.1** Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

○ Yes

○ No

**LEA 25** Voluntary

**LEA 25.1** Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.

☑ Add Example 1
<table>
<thead>
<tr>
<th>Topic or ESG issue</th>
<th>Barclays vote on the remuneration implementation report</th>
</tr>
</thead>
</table>
| **Decision made by** | ☑ Internal staff  
☐ Service provider |
| **Objectives** | |
| **Scope and Process** | |
| **Outcomes** | We voted against the report citing concerns about the annual bonus award granted to Mr Morzaria to compensate him for awards forfeited from JP Morgan. |

[ ☑ Add Example 2]

<table>
<thead>
<tr>
<th>Topic or ESG issue</th>
<th>BG Group vote in the remuneration implementation report</th>
</tr>
</thead>
</table>
| **Decision made by** | ☑ Internal staff  
☐ Service provider |
| **Objectives** | |
| **Scope and Process** | |
| **Outcomes** | We voted against the resolution expressing our concern that Mr Lowth received an additional award to act as insurance against the first award not vesting. In effect, the committee was agreeing to grant Mr Lowth a guaranteed bonus, contrary to the pay for performance ethos of the firm. |

[ ☑ Add Example 3]
<table>
<thead>
<tr>
<th>Topic or ESG issue</th>
<th>Capita plc re-election of directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision made by</td>
<td>☑ Internal staff ☐ Service provider</td>
</tr>
<tr>
<td>Objectives</td>
<td></td>
</tr>
<tr>
<td>Scope and Process</td>
<td></td>
</tr>
<tr>
<td>Outcomes</td>
<td>We voted against three directors (Bowtell, Bolland, Hurst) due to our concerns that the company does not comply with the UK governance code and has insufficient independent directors on the board.</td>
</tr>
</tbody>
</table>

Add Example 4

<table>
<thead>
<tr>
<th>Topic or ESG issue</th>
<th>JP Morgan Chase &amp; Co election of James Dimon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision made by</td>
<td>☑ Internal staff ☐ Service provider</td>
</tr>
<tr>
<td>Objectives</td>
<td></td>
</tr>
<tr>
<td>Scope and Process</td>
<td></td>
</tr>
<tr>
<td>Outcomes</td>
<td>We voted against the election of James Dimon due to concerns about his position as both Chairman and CEO. We consider it best practice for these roles to be separate.</td>
</tr>
</tbody>
</table>

Add Example 5
<table>
<thead>
<tr>
<th>Topic or ESG issue</th>
<th>Pace plc election of Allan Leighton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision made by</td>
<td>☑ Internal staff</td>
</tr>
<tr>
<td></td>
<td>☐ Service provider</td>
</tr>
<tr>
<td>Objectives</td>
<td></td>
</tr>
<tr>
<td>Scope and Process</td>
<td></td>
</tr>
<tr>
<td>Outcomes</td>
<td>We voted against the re-election of Allan Leighton for the third year in a row due to concerns that he is a member of the remuneration committee while also receiving performance share awards through a matching share scheme granted to him when he joined the board.</td>
</tr>
</tbody>
</table>

Add Example 6

<table>
<thead>
<tr>
<th>Topic or ESG issue</th>
<th>National Express shareholder resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision made by</td>
<td>☑ Internal staff</td>
</tr>
<tr>
<td></td>
<td>☐ Service provider</td>
</tr>
<tr>
<td>Objectives</td>
<td></td>
</tr>
<tr>
<td>Scope and Process</td>
<td></td>
</tr>
<tr>
<td>Outcomes</td>
<td>We abstained on the shareholder resolution following engagement with both the proponent and the company citing the recent board appointment and ongoing changes to management structures in the US operations.</td>
</tr>
</tbody>
</table>

Add Example 7
<table>
<thead>
<tr>
<th>Topic or ESG issue</th>
<th>JP Morgan Chase &amp; Co shareholder resolutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision made by</td>
<td>☑ Internal staff  ☐ Service provider</td>
</tr>
<tr>
<td>Objectives</td>
<td></td>
</tr>
<tr>
<td>Scope and Process</td>
<td></td>
</tr>
<tr>
<td>Outcomes</td>
<td>We voted for four shareholder resolutions on issues such as majority voting for directors, proxy access, and improvements to the remuneration scheme. We have significant concerns regarding governance and remuneration at Oracle.</td>
</tr>
</tbody>
</table>

☐ Add Example 8  
☐ Add Example 9  
☐ Add Example 10

## Communication

<table>
<thead>
<tr>
<th>LEA 26</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 2,6</th>
</tr>
</thead>
</table>
| LEA 26.1 | Indicate if your organisation proactively discloses information on your voting activities.  
☑ We disclose it publicly |
|         | provide URL | http://www.rlam-voting.co.uk/voting/ |
|         | provide URL | https://www.rlam.co.uk/About/Responsible-Investing/Responsible-Investing/ |
| LEA 26.2 | Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.  
☑ Yes |
<p>| LEA 26.3 | Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries. |</p>
<table>
<thead>
<tr>
<th>LEA 26.4</th>
<th>Indicate how frequently you typically report voting information.</th>
</tr>
</thead>
<tbody>
<tr>
<td>○ Continuously (primarily before meetings)</td>
<td></td>
</tr>
<tr>
<td>○ Continuously (soon after votes are cast)</td>
<td></td>
</tr>
<tr>
<td>○ Quarterly or more frequently</td>
<td></td>
</tr>
<tr>
<td>○ Between quarterly and annually</td>
<td></td>
</tr>
<tr>
<td>○ Less frequently than annually</td>
<td></td>
</tr>
<tr>
<td>○ Other, specify</td>
<td></td>
</tr>
<tr>
<td>○ No</td>
<td></td>
</tr>
<tr>
<td>○ We disclose it to clients/beneficiaries only</td>
<td></td>
</tr>
<tr>
<td>○ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LEA 26.8</th>
<th>Additional information. [Optional]</th>
</tr>
</thead>
<tbody>
<tr>
<td>RLAM updates its voting record once a month and contains narrative for all resolutions where we have not supported management (abstentions and votes against).</td>
<td></td>
</tr>
</tbody>
</table>
Royal London Asset Management

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.
Overview

FI 02 | Mandatory to Report Voluntary to Disclose | Peering | General

FI 02.1 | Provide a breakdown of your internally managed fixed income investments by credit quality.

<table>
<thead>
<tr>
<th>Credit quality</th>
<th>Fixed Income - Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment grade</td>
<td>0%&lt;br&gt; &lt;10%&lt;br&gt; 10-50%&lt;br&gt; &gt;50%</td>
</tr>
<tr>
<td>High yield</td>
<td>0%&lt;br&gt; &lt;10%&lt;br&gt; 10-50%&lt;br&gt; &gt;50%</td>
</tr>
<tr>
<td>Distressed</td>
<td>&lt;10%&lt;br&gt; 10-50%&lt;br&gt; &gt;50%</td>
</tr>
</tbody>
</table>

FI 02.2 | Provide a breakdown of your fixed income investments between primary and secondary market.

<table>
<thead>
<tr>
<th>Market</th>
<th>Fixed Income - Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary market (new issues)</td>
<td>0%&lt;br&gt; &lt;10%&lt;br&gt; 10-50%&lt;br&gt; &gt;50%</td>
</tr>
<tr>
<td>Secondary market</td>
<td>0%&lt;br&gt; &lt;10%&lt;br&gt; 10-50%&lt;br&gt; &gt;50%</td>
</tr>
</tbody>
</table>

ESG incorporation in actively managed fixed income

FI 03 | Voluntary | Descriptive | PRI 1
FI 03.1 | Provide a brief overview of how you incorporate ESG issues in fixed income investments.

**Fixed Income - Corporate**

Our aim is to deliver ESG analysis and a programme of engagement that is useful to the Fixed Interest team in pricing risk and satisfying our commitments to clients on responsible investment. To do this, we:

- Assess potential ESG risks across sectors from a creditor standpoint
- Work with credit analysts to identify ESG issues that warrant further investigation
- Conduct analysis on the identified risks and their potential impact on specific sectors or issuers
- Circulate analysis to credit colleagues to help inform analysts and fund managers' views of an issue, sector or issuer.

Given that many issuers are unlisted, unrated by credit agencies or are simply smaller organisations without a track record in publishing ESG information, this often involves primary research and direct interaction with issuers.

In addition, the Responsible Investment team:
- Attends roadshow meetings with key issuers
- Circulates relevant newsflow to the credit team on identified ESG risks
- Provides analysis on the sustainability credentials of green bond issues
- Shares with credit analysts and fund managers our ESG analysis of issuers assessed as part of the screening process for sustainable funds.

RLAM sat on the steering committee of the UN PRI Fixed Income workstream.

RLAM, in addition to its Ethical Bond Fund (based on negative screening) runs a large private 'green' bond mandate for an institutional investor. This tracks and shows positive performance over time against the benchmark for being over-weight in securities that effectively mitigate their ESG impacts as well as showing early evidence of having lower aggregate carbon emissions.

Furthermore, RLAM specialises in finding securities that have strong covenant protections for bond holders but which are poorly understood by the market. This acts as a stand-in for traditional corporate governance which is typically unavailable for bonds. We believe this also gives us powers closer to the equity investor in that these securities are more reliant on RLAM's support as a lender, rather than a trader.

**Fixed Income - Corporate**

**Implementation processes**

<table>
<thead>
<tr>
<th>FI 04</th>
<th>Mandatory</th>
<th>Gateway/Core Assessed</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>FI 04.1</td>
<td>Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ESG incorporation strategy** (select all that apply)

- Screening alone (i.e. not combined with any other strategies)
<table>
<thead>
<tr>
<th>Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thematic alone (i.e. not combined with any other strategies)</td>
<td>4</td>
</tr>
<tr>
<td>Integration alone (i.e. not combined with any other strategies)</td>
<td>94</td>
</tr>
<tr>
<td>Screening + Integration strategies</td>
<td>1</td>
</tr>
<tr>
<td>Thematic + integration strategies</td>
<td>1</td>
</tr>
<tr>
<td>Screening + thematic strategies</td>
<td>1</td>
</tr>
<tr>
<td>All three strategies combined</td>
<td>1</td>
</tr>
<tr>
<td>No incorporation strategies applied</td>
<td></td>
</tr>
</tbody>
</table>

Total actively managed fixed income - corporate: 100%

**FI 04.2** Describe your primary reasons for choosing a particular incorporation strategy.

Corporate credit is held across a range of different funds that have historically different approaches to ESG. As such, the figures do not reflect one strategy.

Our Ethical Bond Fund employs only negative screens. Another RLAM private bond fund annually assesses the portfolio for its environmental footprint against its benchmark and requires that securities in high environmental impact sectors score highly for mitigation. Both measures show a positive trend, since introduced. This performance is reported to an institutional client.

Following that, our Sustainable Managed Growth bond fund and Sustainable Managed Income bond fund, as well as the corporate bond elements of our Sustainable Diversified fund benefit from the same criteria for our 'Sustainable' family of funds, namely: all securities, including fixed income, must not fail the negative screens, then pass the 'net benefit' test (i.e. the positive/thematic screens) or be a leader in Corporate Responsibility. That process is publicly disclosed, here: https://www.rlaim.co.uk/Products/Sustainable/Our-products/

By AUM, the largest ESG strategy is a mandate from the General Insurance business of The Co-operative Banking Group to apply the latter's strict Ethical Policy to a corporate bond fund.
What is different about 2014 is that the ESG team looked at the sectors in which RLAM's corporate credit portfolios were most exposed to and mapped ESG risks to these. After a process of moderation with the credit team, we agreed upon sectors where there were plausible and material ESG risks and agreed a programme of research and engagement to investigate and hopefully, enhance the credit team's knowledge of all relevant risk factors.

The 94% above refers to this, in as much as we systematically looked at the entire book and used our knowledge of the sectors to focus in on sectors the risks were most material, with the agreement of the credit team. We do not mean that every corporate credit holding has an accompanying ESG analysis.

If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]

See answer to previous question.

Type of ESG information

- Raw ESG company data
  
  Describe who provides this information.
  
  We have access to raw ESG data on Bloomberg terminals and we also do our own research on issuers.

- Issuer-related analysis or ratings
  
  Describe who provides this information.
  
  We have limited access to issuer-related analysis and ratings through our main ESG service providers, MSCI, RepRisk, IVIS, EIRIS and TruCost.

- Sector-related analysis or ratings
  
  Describe who provides this information.
  
  We get sector-related ratings from MSCI, EIRIS and TruCost, however these are driven from an equity perspective - so they have to be re-purposed for Fixed Income.

- Country-related analysis or ratings
We use ratings and analysis from Transparency International (The Corruption Perceptions Index) and the
country ratings by Freedom House to assess non UK sovereign bonds. We devised a set of criteria which
scores countries on human rights and corruption. Though this was done as an exercise for the
Sustainable Trusts, we are using it also for issuances not destined for these funds, as there is evidence of
correlation between country sustainability, credit risk and cost of capital.

- Screened bond list
- ESG issue-specific analysis or ratings
- Other, specify

Provide a brief description of the ESG information used, highlighting any differences of
sources of information across your ESG incorporation strategies.

We believe the above resources will not suffice if we are to make further progress with fixed income and ESG.
The market is quite poorly served for fixed-income specific ESG data and analysis at present, often relying on
using the equity counterpart as a proxy, rather than looking at risk to spreads or default risk. We would welcome
onto the market products built specifically around fixed interest securities.

The RLAM FI team specialises in uncovering and understanding protective covenants in securities that are
often over-looked and under-paid for by the market. These tend to be the closest thing it gets to the protections
afforded by good corporate governance in equities, and is treated as such by RLAM. The ESG team has been
involved in examining the governance of housing associations and comparing them to equivalent-sized public
companies. This has helped the credit team better understand whether the boards have the skills and expertise
to cope with expansion and changing regulatory requirements.

(A) Implementation: Screening

Indicate and describe the type of screening you apply to your internally managed active
corporate fixed income investments.

Type of screening
- Negative/exclusionary screening

Screened by
- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance
During 2014, RLAM implemented the Ethical Policy of The Co-operative Banking Group to the latter’s general insurance assets invested in fixed income. The policy in full is here:
http://www.co-operativebank.co.uk/assets/html/bank/ebooks/ethical-policy/index.html

The policy is extremely wide-ranging and was the first such policy ever to be created by a Bank.
In respect of RLAM’s Sustainable bond funds the following are excluded:
- tobacco manufacture
- armaments manufacture
- nuclear power generation
- animal testing for cosmetics
- companies with unacceptable corporate governance
- companies unable or unwilling to mitigate major environmental impacts
- companies associated with irresponsible gambling or alcohol provision

For RLAM's Ethical Bond fund, a similar negative screen applies, with a 10% of revenues limit.

☑ Positive/best-in-class screening

Screened by
☑ Product
☑ Activity
☐ Sector
☐ Country/geographic region
☑ Environmental and social practices and performance
☐ Corporate governance

For the Sustainable range of funds, emphasis is placed on securities with products and services addressing social and environmental challenges, and companies that are leaders in Corporate Responsibility. Typical themes include:
- Resource Efficiency
- Healthcare
- Cleaner Energy
- Pollution Control
- Access to financial and telecoms services
- Disease burdens and healthier diets

The criteria, investment and governance process for the Sustainable funds is publicly disclosed, here:
https://www.rlam.co.uk/Products/Sustainable/Our-products/

The private mandate RLAM runs for an institutional investor adopts a best-in-class approach in the sense that it may only source securities from sectors with high environmental impacts that have strong mitigation in place.

☐ Norms-based screening
Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

The screening criteria were laid down when the funds were created, the oldest of which, Sustainable Leaders Trust (an equity fund), goes back to 1990. As more funds, including two recent fixed income-only funds, were added to the ‘Sustainable' stable, it was decided that it was in the interests of transparency and simplicity that all ‘Sustainable' funds should have the same criteria. In the case of RLAM's Ethical Bond fund the criteria have remained the same since launch in 2007. Because these funds are widely owned by retail investors, the criteria are not easily changed. In the case of the General Insurance mandate screened according to the Co-operative Banking Group's Ethical Policy, the Policy is continually reviewed and updated by the Social Goals function.

For RLAM's Sustainable Trusts, the external advisory committee on responsible investment receives a report approximately every 2 years noting how the funds compare to their competitors and complaints and queries from customers are also analysed for any areas where there appears to be particular concern. So far, it has not been deemed necessary to change the criteria, however, around 2008 there was a change in the way the Sustainable Trusts approached screening. This placed more emphasis on a 'products and services' approach as opposed to a best in class but products and services neutral approach that prevailed previously. We regard this as a modernisation of the approach while staying within the criteria laid down when the funds were established.

Regarding the private mandate mentioned above, RLAM and the client routinely discuss the ESG performance of the portfolio and is part of the fund manager evaluation.

Indicate which processes your organisation uses to ensure that screening in corporate fixed income is based on robust analysis.

- Comprehensive research is undertaken or sourced to determine issuers’ ESG performance
- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify issuers to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Information on ESG issues and/or ratings is updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct ESG research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

The process which was described for equities applies also in respect of RLAM's Sustainable bond and diversified funds. We have specialist third party data and analysis suppliers which we combine with our own desktop based research, meetings and calls with company management and a review at least once every two years, along with review of individual holdings where newsflow suggests we should. Our external advisory committee is involved in this process, as previously described. For RLAM's screened bond fund, set criteria are applied and monitored by EIRIS. As with EIRIS, TruCost have their own internal control procedures to demonstrate reasonable care in ensuring the validity of their respective processes and the accuracy and timeliness of outputs.
**FI 08.1** Indicate which processes your organisation uses to ensure that fund criteria are not breached in corporate fixed income investments.

- **☑ Checks are performed to ensure that issuers meet the funds’ screening criteria. These checks are:**
  - ☑ Systematic
  - ☐ Occasional
- **☑ Automated IT systems prevent investment managers from investing in excluded bonds or those that do not meet positive screening criteria**
- **☑ Audits of fund holdings are undertaken regularly by internal audit function**
- ☐ Other, specify
- ☐ None of the above

**FI 08.2** If breaches of fund screening criteria are identified, describe the process followed to correct those breaches.

We come to know that a security may be in breach of our criteria through three ways:

- In the case of the Ethical Equity and Bond funds, EIRIS monitors and alerts RLAM to any possible breaches. These are dealt with individually and trading platforms are physically unable to trade in disallowed securities.

- Newsflow for all screened funds may prompt the fund manager or member of the ESG team to propose that a security be formally reviewed. This usually involves consulting our external advisory committee unless the breach is unequivocal.

- Once every two years, one person will review all holdings in the approved universe for the Sustainable Trusts, so that the re-screen is performed with consistency. Flagged companies are reviewed by our external advisory committee.

Where securities are in breach the fund manager has six months to divest them, however divestment usually occurs at the earliest opportunity. The ESG analysts have a variety of third party solutions which help to alert us to possible breaches.

Trading platforms are physically unable to trade in disallowed securities.

---

**FI 09** Voluntary

**Descriptive**

**PRI 1**

<table>
<thead>
<tr>
<th>FI 09.1</th>
<th>Indicate the type of sustainability themed funds or mandates your organisation manages.</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑</td>
<td>Environmentally themed funds</td>
</tr>
<tr>
<td>☐</td>
<td>Socially themed funds</td>
</tr>
<tr>
<td>☑</td>
<td>Combination of themes</td>
</tr>
</tbody>
</table>
Referring to the Sustainable Trusts, which include two fixed income, two mixed asset fund and one equity fund, as previously noted there has been a greatly increased emphasis on approving to the Trusts securities whose products and services improve environmental and social conditions; for example, clean energy and energy efficiency, pollution control, education and social and financial inclusion. There are no hard and fast rules regarding for example a fixed per cent of revenues, though these factors do play a role in the analyst’s decision. It can also be about the direction of travel and whether there is a case to believe that, even if markets have not properly priced in the value of these activities, they will do so within our investment horizon i.e. a value approach to thematic investing. However, we distinguish our Sustainable Trusts from pure ‘climate’, ‘water’, ‘forestry’ and ‘impact investing’ type funds. They are generalist in nature, but with a bent toward solution companies.

The RLAM Ethical Bond fund uses negative screening, only. The ‘green’ private mandate that RLAM runs for an institutional client is underpinned by a mitigation screen for high-impact sectors and is benchmarked against Iboxx for its carbon footprint.

(C) Implementation: Integration of ESG factors

<table>
<thead>
<tr>
<th>FI 10</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>FI 10.1</td>
<td>Describe how you integrate ESG issues into investment decision-making processes.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Assess potential ESG risks across sectors from a creditor standpoint
- Work with credit analysts to identify ESG issues that warrant further investigation
- Conduct analysis on the identified risks and their potential impact on specific sectors or issuers.
- Given that many issuers are unlisted, unrated by credit agencies or are simply smaller organisations without a track record in publishing ESG information, this often involves primary research and direct interaction with issuers.
- Circulate analysis to credit colleagues to help inform analysts and fund managers’ views of an issue, sector or issuer.

In addition, the Responsible Investment team:

- Attends roadshow meetings with key issuers
- Circulates relevant newsflow to the credit team on identified ESG risks
- Provides analysis on the sustainability credentials of green bond issues
- Shares with credit analysts and fund managers our ESG analysis of issuers assessed as part of the screening process for sustainable funds.

RLAM specialises in finding securities that have strong covenant protections for bond holders but which are poorly understood by the market. This acts as a stand-in for traditional corporate governance which is typically unavailable for bonds. We believe this also gives us powers closer to the equity investor in that these securities are more reliant on RLAM’s support as a lender, rather than a trader.
## ESG issues

<table>
<thead>
<tr>
<th>ESG issues</th>
<th>Coverage/extent of review on these issues</th>
</tr>
</thead>
</table>
| Environmental            | ⭪ We systematically review the potential significance of environmental issues and investigate them accordingly  
                           | ○ We occasionally review the potential significance of environmental issues and investigate them accordingly 
                           | ○ We do not review environmental issues                                                                 |
| Social                   | ⭪ We systematically review the potential significance of social issues and investigate them accordingly  
                           | ○ We occasionally review the potential significance of social issues and investigate them accordingly 
                           | ○ We do not review social issues                                                                       |
| Corporate Governance     | ⭪ We systematically review the potential significance of corporate governance issues and investigate them accordingly  
                           | ○ We occasionally review the potential significance of corporate governance issues and investigate them accordingly 
                           | ○ We do not review corporate governance issues                                                          |

### FI 12 Voluntary

#### FI 12.1

Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.

- ☐ Comprehensive ESG research is undertaken or sourced to determine companies’ activities and products
- ☑ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☐ Company information and/or ratings on ESG are updated regularly
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☑ Other, specify

In 2014 the ESG and credit teams conducted a materiality analysis of all relevant sectors and decided to focus efforts on those with highest risks

- ☐ None of the above

#### FI 12.2

Describe how ESG information is held and used by your portfolio managers.

- ☐ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☐ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☑ Other, specify

The credit team receives scores on companies in particular sectors; the ones we have opted to research in-depth first, on the basis of materiality.

- ☐ None of the above

86
The above refers to our corporate bond portfolios that don’t already have ESG screens or criteria required by mandate. We are in the early days of integration of ESG factors systematically in our non-screened credit portfolios but the approach can be called systematic in that there are no off-limits portfolios and we have looked as ESG risk across the spectrum. For clients, we are happy to disclose the detail.

### Outputs and outcomes

<table>
<thead>
<tr>
<th>FI 15</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>FI 15.1</td>
<td>Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Fixed Income - Corporate**

- Each down or prioritise the investment universe
- Buy / sell / weight decisions
- Other, specify

<table>
<thead>
<tr>
<th>FI 15.2</th>
<th>Additional information.</th>
</tr>
</thead>
</table>

Referring here only to corporate fixed income analysis for our general, unscreened funds, as most securities for even these are also assessed for our Sustainable Trusts, the general funds benefit from the analysis. Increasingly, corporate governance concerns are having the effect of filtering down the investment universe for the general funds. This is also true of the RLAM UK corporate bond holdings in that RLAM specialises in finding undervalued but important covenant protections in bonds that act as a stand-in for where traditional corporate governance structures cannot apply. Our credit team requests to see all ESG analysis for credit we perform, including the Sustainable Trusts, and our decisions and analysis sometimes affect theirs.

<table>
<thead>
<tr>
<th>FI 17</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>FI 17.1</td>
<td>Provide examples of ESG issues that affected your fixed income investment view and/or performance during the reporting year.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

☑️ ESG issue 1
<table>
<thead>
<tr>
<th><strong>Fixed Income - Corporate and/or Government</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Corporate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>ESG issue and explanation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The regulator for housing associations issued a critical statement concerning Circle Anglia’s failing homes maintenance and poor corporate governance.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>ESG incorporation strategy applied</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Screening</td>
</tr>
<tr>
<td>☐ Thematic</td>
</tr>
<tr>
<td>☑ Integration</td>
</tr>
<tr>
<td>☐ Combination of ESG incorporation strategies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Impact on investment view or performance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>We sold Circle Anglia bonds. Proceeds were reinvested in housing associations with the highest governance ratings without compromising portfolio yield. This issue was identified by our ESG team with the investment decision taken in collaboration with our Fixed income team.</td>
</tr>
</tbody>
</table>

☑ ESG issue 2
Fixed Income - Corporate and/or Government

Corporate

ESG issue and explanation

Our ESG research platform identified potentially poor environmental mitigation from a number of our investments during the year. Most notably, National Express and TDC. We subsequently arranged meeting with both issuers, targeting our engagement on the specific issues identified. We held a call with Danish telecommunications firm, TDC, to assess the company's environmental management. Despite limited public reporting, which sees TDC identified as one of our bond issuers with heightened ESG risk, we were able to identify that TDC has an adequate sustainability programme. This is overseen by senior management, and includes a stretching carbon reduction target and participation in an industry-wide initiative to engage suppliers on the sustainable manufacture of telecoms equipment. A number of the issues we raised with the company, including third party auditing of environmental data and handset recycling, are, in fact, already mandated by Danish law.

In addition, we held a productive meeting with National Express' CEO and Environmental Director, to discuss their limited environmental management and performance, particularly in the US market. The company recognised the need for improved reporting and performance and has developed a series of more stretching targets. We were also able to identify that management incentives were aligned with bond holders through the use of non-standard free cash and debt targets.

ESG incorporation strategy applied

☐ Screening
☐ Thematic
☐ Integration
☒ Combination of ESG incorporation strategies

Impact on investment view or performance

Post these meetings, our ESG team was able to feed back to the investment team, informing the evaluation of the long-term sustainability of both companies’ cash flows and balance sheets. This additional and more bespoke process enabled the team to become comfortable with both issuers in a way that would not have been possible had we simply been reliant on 3rd party research.

☒ ESG issue 3
Fixed Income - Corporate and/or Government

Corporate

ESG issue and explanation

Working in unison with RLAM's ESG team, we invested in Speyside Energy Finance plc. This bond will fund a new biomass plant for a distillery in Speyside, Scotland. The plant is a combined heat and power station; heat is used for steam in the distillation process and electricity generated put back into the national grid. One of the equity sponsors in the project is the Green Investment Bank.

ESG incorporation strategy applied

- Screening
- Thematic
- Integration
- Combination of ESG incorporation strategies

Impact on investment view or performance

The team’s ESG analysis on the energy and environmental aspects of the project and the significance of the Green Investment Bank’s support was supportive of our investment case.

- ESG issue 4
- ESG issue 5

Communication

<table>
<thead>
<tr>
<th>FI 18</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 2,6</th>
</tr>
</thead>
<tbody>
<tr>
<td>FI 18.1</td>
<td>Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- We disclose it publicly

Provide URL


| FI 18.2 | Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries. |

- Yes
Indicate the information your organisation proactively discloses to clients/beneficiaries and the public regarding your approach to ESG incorporation.

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

Indicate how frequently you typically report this information.

- Quarterly or more frequently
- Between quarterly and annually
- Less frequently than annually
- Other, specify

No
- We disclose it to clients/beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries

Regarding 18.3, we only disclose detailed information about ESG incorporation to clients but not the general public where this requirement is part of an investment management agreement. In principle, we are happy to disclose detailed information on ESG incorporation in fixed income (and all other classes) where we are permitted.

In 2014 and 2015, we have been doing in-depth projects on ESG integration into Fixed Income. We plan to publish the highlights of these in Q2 and Q4 of 2015 on our website. The more granular information will be available to our clients.

Engagement in fixed income investments

Fixed Income - Corporate

Indicate if you engage with corporate issuers.

- Yes

Describe your organisation’s approach to engagement in corporate fixed income.

Our approach to Fixed Interest engagement is closely aligned to the integration process outlined earlier in this module.

Our engagement programme focuses on key sectors and themes that we have identified jointly with the credit team as relevant. Meeting notes and observations from meetings are fed back to credit analysts and in many instances, credit analysts will attend RI meetings with issuers. Our findings also feed into the reporting process to clients that have expressed an interest in responsible investment. Fixed interest integration and engagement is a relatively new area of responsible investment and RLAM continues to develop its approach.

Our engagement has markedly increased with fixed income issuers in 2014; typically as a result of the screening process for our new Sustainable bond funds but also as a result of separate in-depth projects we are conducting in the water utility and housing association sectors, presently.
Often, we are trying to uncover information about private debt where information is scarce and the issuer is not set up to, nor used to receiving such requests. This is sometimes frustrating as we are unable to find sufficient information in time. Conversely, it has also led to situations where issuers are revealing for the first time or, occasionally, agreeing to put in place policies regarding ESG issues.

The typical objection to engagement on fixed income is that bond holders are not owners and therefore have no right to expect a kind of response from issuers. This is only a problem in as far as market participants let it be: while it's true to private bond issuers are less well set up to cater to the demands of SRI and ESG investors, it's also true that declining to request this information will only perpetuate the situation. We would engage with any bond issuer where we needed to gain the required level of comfort around ESG issues, whether for screening purposes or because of potential investment risk. If there were sufficient demand for such information in competitive markets, issuers would respond in the form of supply.

We often focus on smaller issuers where we have more sway and disclosure is already weak or non-existent. Going to this trouble can give us an advantage in terms of risk management that other investors overlook.

○ No
Royal London Asset Management

Reported Information

Public version

Direct – Private Equity

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.
### Overview

#### PE 01

Mandatory to Report Voluntary to Disclose

**Peering**

**General**

#### PE 01.1

Provide a breakdown of your organisation’s internally managed private equity investments by investment strategy.

<table>
<thead>
<tr>
<th>Investment strategy</th>
<th>Percentage of your internally managed private equity holdings (in terms of AUM)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>○ &gt;50%</td>
</tr>
<tr>
<td></td>
<td>○ 10-50%</td>
</tr>
<tr>
<td></td>
<td>○ &lt;10%</td>
</tr>
<tr>
<td></td>
<td>○ 0%</td>
</tr>
<tr>
<td>Venture capital</td>
<td></td>
</tr>
<tr>
<td>Growth capital</td>
<td></td>
</tr>
<tr>
<td>(Leveraged) buy-out</td>
<td></td>
</tr>
<tr>
<td>Other investment strategy</td>
<td></td>
</tr>
<tr>
<td>Secondaries.</td>
<td></td>
</tr>
<tr>
<td>Special situations.</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

---

**Secondaries.**

- Venture capital
  - >50%
  - 10-50%
  - <10%
  - 0%
- Growth capital
  - >50%
  - 10-50%
  - <10%
  - 0%
- (Leveraged) buy-out
  - >50%
  - 10-50%
  - <10%
  - 0%
- Other investment strategy
  - >50%
  - 10-50%
  - <10%
  - 0%
- Special situations
  - >50%
  - 10-50%
  - <10%
  - 0%

---

**Total**

- 100%
**PE 02.1** Indicate the level of ownership you typically hold in your private equity investments.

- a majority stake (>50%)
- 50% stake
- a significant minority stake (between 10-50%)
- a minority stake (<10%)
- a mix of ownership stakes

**PE 03.1** Provide a brief overview of your organisation’s approach to responsible investment in private equity.

Since 2010, ESG has been made an integral part of the investment process for private equity, as described in subsequent sections. This is in recognition of the fact that GPs, with encouragement from LPs, usually have an opportunity to drive through improvements in ESG practices during their five-to-seven year holding period because they are close to the assets; compared to the quite remote influence of typical equity investors owning at best a few per cent of a company. Our allocation to PE is currently dominated by our innovative co-investment agreement with KKR, which was covered here:

http://www.responsible-investor.com/home/article/co_operative_asset_management_in_esg_tie/

RLAM’s involvement in private equity is purely as a Limited Partner (LP). ESG issues often have both greater impact - and offer more opportunity for direct management - while under private ownership, where holding periods are longer than average public equity holdings and the level of ownership by the General Partner (GP) is absolute or enough to give it special rights.

The same broad principles of ESG due diligence also apply to other future relationships we may develop in private equity and the ESG team is included as a matter of procedure in considering all proposals from our alternative investment team, be they private equity, venture capital, investment trusts and so on.

Existing relationships have been reviewed for any risk outliers. All new and any renewed agreements with our GPs are reviewed for whether the GP has the capacity and skill to manage ESG issues adequately and whether the agreement in particular is likely to raise above-average risks. Our requirements regarding ESG due diligence and management by our GPs are a standard part of new or updated Investment Agreements. Agreed-upon areas have measures built into the 100-day plan. Where we have ESG considerations stipulated in Agreements, GPs must report to us regularly and at pre-exit stage on how these issues have been managed.

**PE 04.1** Indicate if your organisation’s investment guidelines for private equity refer to responsible investment.

- Our investment guidelines do refer to responsible investment
All new and any renewed agreements with our GPs are reviewed for whether the GP has the capacity and skill to manage ESG issues adequately and whether the agreement in particular is likely to raise above-average risks. Our requirements regarding ESG due diligence and management by our GPs are a standard part of new or updated Investment Agreements. Where we have ESG considerations stipulated in Agreements, GPs must report to us regularly and at pre-exit stage on how these issues have been managed.

- Our investment guidelines do not refer to responsible investment
- We do not have investment guidelines

**Fundraising of private equity funds**

**PE 05**

<table>
<thead>
<tr>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 1,4,6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PE 05.1</strong></td>
<td>Indicate if your fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Not applicable as our organisation does not fundraise</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PE 05.4**

Describe why your organisation does not fundraise.

We are an LP, only.

**PE 06**

<table>
<thead>
<tr>
<th>Voluntary</th>
<th>Additional Assessed</th>
<th>PRI 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PE 06.1</strong></td>
<td>Indicate whether your organisation makes formal commitments in fund formation contracts, Limited Partnership Agreements (LPAs) or in side letters relating to responsible investment when requested by clients.</td>
<td></td>
</tr>
<tr>
<td>We always make formal commitments to responsible investment in fund formation contracts, LPAs or side letters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In a majority of cases we make formal commitments to responsible investment in fund formation contracts, LPAs or side letters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In a minority of cases we make formal commitments to responsible investment in fund formation contracts, LPAs or side letters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We do not make formal commitments to responsible investment in fund formation contracts, LPAs or side letters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our clients do not request us to make formal commitments to responsible investment in private equity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PE 06.2**

Additional information.

This is the case as of approximately 2010. As previously explained, it applies also to existing relationships where contracts come up for renewal.
<table>
<thead>
<tr>
<th>PE 07</th>
<th>Mandatory</th>
<th>Gateway</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PE 07.1</strong></td>
<td>Indicate if your organisation typically incorporates ESG issues when selecting private equity investments.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Yes</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PE 07.2</th>
<th>Describe your organisation’s approach to incorporating ESG issues in private equity investment selection. [Optional]</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Head of RI is notified whenever the private equity team are entering into discussions with a GP for the first time, when performance and contracts on existing relationships are being reviewed, and when GPs come to RLAM with fund investment and co-investment opportunities. This allows a vetting process to occur early on in our due diligence. The Head of RI will investigate the GP’s policies and how they are applied to portfolio companies, meet with the GP and on occasion with portfolio companies, as well as consider whether the GP is a signatory to external standards produced by PRI and other bodies, including trade organisations, that have produced best practice guidelines on private equity and PE. On exit, where ESG performance is an aspect of an agreement (which is the case for all agreements since 2010), the Head of RI will satisfy himself that any KPIs have been met and provide feedback to our PE team on whether the GP has generally exercised their duties on ESG. We have turned away otherwise acceptable proposals where we feel a GP is not sufficiently committed to good practice in ESG or lacks sufficient grasp of the ESG risks and opportunities within their portfolio.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PE 08</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PE 08.1</strong></td>
<td>Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the private equity investment selection process.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Internal staff</td>
<td>Specify role</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Head of RI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other ESG staff where required.</td>
<td>Specify role</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ External resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Environmental advisors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Social advisors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Corporate governance advisors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Regulatory and/or legal advisors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Other, specify type of advisors/roles</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We use RepRisk as part of our due diligence on PE investments as it also covers private companies.

| ☐ No use of internal or external advice on ESG issues |
PE 09.1 Indicate which E, S and/or G issues are typically considered by your organisation in the investment selection process and list up to three typical examples per issue.

**ESG issues**

- **Environmental**
  - **List up to three typical examples of environmental issues**
  - Certification to ISO standards especially in markets with poor regulatory oversight.
  - For ICT businesses, we have asked to see PuE and WuE ratios.
  - For a maker of pumps and hydraulics we examined energy efficiency in the product offering.

- **Social**
  - **List up to three typical examples of social issues**
  - For a company involved in agriculture we consider at policies covering employee liability (use of protective equipment).
  - Where a company is reliant on government for most of its contracts, we consider their risk management in the context of wider bribery & corruption issues.
  - For a company in a country emerging from regional conflict we consult authorities on progress on civil society and human rights in the country.

- **Governance**
  - **List up to three typical examples of governance issues**
  - We consider whether owner-founders have been involved in questionable related-party transactions and what their role will be in the company when taken private.
  - We check if the board has the experience and advice in the case of very high ESG risks e.g. natural resources.
  - We ask the GP if they have ensured that personnel critical for meeting legal obligations or otherwise essential to business success have been retained.
Indicate what type of ESG information your organisation typically considers during your private equity investment selection process.

- Raw data from target company
- Benchmarks against other companies
- Sector level data/benchmarks
- Country level data/benchmarks
- Reporting standards, industry codes and certifications
- International initiatives, declarations or standards
- Engagements with stakeholders (e.g. customers and suppliers)
- Advice from external resources
- Other, specify
- We do not track this information

Each investment is treated individually. The Head of RI identifies what he believes are likely to be the material ESG risks and opportunities, based on prior experience of sector, business, country etc. The GP is interviewed to see what their list is and whether there are any gaps that either side has missed. What standards, data, certifications etc. we expect or would ask to be part of the GP's operational plan varies greatly depending on the circumstances but real-life examples typically include many of the boxes ticked, above.

We have turned away opportunities in 2014 because they did not meet our ESG requirements. So far, this has related to the underlying nature of the business activity and whether we wish to support it implicitly, rather than there being inadequate consideration of ESG by the GP, though this could be grounds for us declining to co-invest. Our suggestions or conditions regarding ESG, where we have them, need to be adequately addressed by the 100 day plan. As such, they form part of the agreement, though they may not be referenced specifically in purchase agreements.
**PE 13.1** Indicate whether your organisation incorporates ESG issues in investment monitoring of portfolio companies.

- Yes

**PE 13.2** Indicate the proportion of portfolio companies where your organisation included ESG performance in investment monitoring during the reporting year.

- >90% of portfolio companies
- 51-90% of portfolio companies
- 10-50% of portfolio companies
- <10% of portfolio companies

(in terms of total number of portfolio companies)

**PE 13.3** Indicate ESG issues for which your organisation typically sets and monitors targets (KPIs or similar) and provide examples per issue.

**ESG issues**

- **Environmental**
  
  **List up to three example targets of environmental issues**
  
  Certification, existing or prospective, to ISO standards especially in markets with poor regulatory oversight.
  
  For a datacentre-based investment, we have monitored PuE and WuE ratios against targets.
  
  For a maker of pumps and hydraulics we might use a measure of emissions reductions achieved through use, for example.

- **Social**

  **List up to three example targets of social issues**

  For a company involved in agriculture we would look at reductions in the amount and number of pesticides used relative to yield per acre.
  
  For a company with a large, low-paid workforce we would track the trend on labour disputes and consider employee satisfaction levels and how measured.

- **Governance**

  **List up to three example targets of governance issues**

  In the case of national or sectoral tendencies to bribery and corruption, we would look at the quality and scope of B\&C training.
  
  Record of board meeting attendance.
  
  The incorporation of ESG factors into employee and board level remuneration, where appropriate.

- **We do not set and/or monitor against targets**

  - No
The above figures refer to our co-investment partnership with KKR, which represents the great majority of our PE allocation. Although as the LP we are normally unable to unilaterally impose ESG KPIs the above examples of the kind of ones we propose to GPs and which are sometimes accepted.

### PE 14 | Mandatory Core Assessed PRI 2

<table>
<thead>
<tr>
<th><strong>PE 14.1</strong></th>
<th>Indicate if your organisation tracks the proportion of your portfolio companies that have an ESG/sustainability-related policy (or similar guidelines).</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Yes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>PE 14.2</strong></th>
<th>Indicate what percentage of your portfolio companies has an ESG/sustainability policy (or similar guidelines).</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ &gt;90% of portfolio companies</td>
<td></td>
</tr>
<tr>
<td>☐ 51-90% of portfolio companies</td>
<td></td>
</tr>
<tr>
<td>☐ 10-50% of portfolio companies</td>
<td></td>
</tr>
<tr>
<td>☐ &lt;10% of portfolio companies</td>
<td></td>
</tr>
<tr>
<td>☐ 0% of portfolio companies</td>
<td></td>
</tr>
</tbody>
</table>

(in terms of total number of portfolio companies)

| ☑ No |

### PE 14.3 | Additional information. [Optional]

Since 2010, all portfolio companies in which we have co-investments have to have adequate sustainability policies, though these will vary greatly from company to company, depending on the need. This accounts for all of our co-investments, as all other private equity holdings are through funds, where we are concerned with the ESG policies and controls of the GP, primarily. With regard to the latter, these comprise for the most part, several sizeable investments in environmental funds and social impact funds that measure the environmental and social impact of their investments, to recognised standards. Their reporting against these targets and standards is integrated into their overall reporting to us and we meet with them, annually.

### PE 15 | Voluntary Additional Assessed PRI 2

<table>
<thead>
<tr>
<th><strong>PE 15.1</strong></th>
<th>Indicate the types of actions taken by your portfolio companies to incorporate ESG issues into operations and what proportion of your portfolio companies have implemented these actions.</th>
</tr>
</thead>
</table>

**Types of actions taken by portfolio companies**
Allocate responsibility for ESG issues to board/senior management
Composition of board ensure ESG expertise
Consider ESG issues in risk management processes
Define performance targets for applicable ESG issues in operations
Define when engagements with stakeholders should be carried out to discuss ESG issues
Other actions, specify
None of the above

PE 15.2 Describe how your organisation contributes to the portfolio’s management of ESG issues.

The GP is responsible for ensuring portfolio companies manage their ESG impacts effectively. The GP is also responsible for reporting to the LP on portfolio company compliance with GP policy, any specific requirements or targets agreed with the LP.

PE 16 Voluntary Descriptive PRI 2,3

PE 16.1 Indicate the type and frequency of reports you request and/or receive from portfolio companies covering ESG issues.

Type of reporting
☑ Overarching portfolio company reports (or similar) where management disclosure, financial and ESG data are integrated

Typical reporting frequency
☐ Quarterly or more frequent
☐ Semi annually
☐ Annually
☐ Every two years or less
☐ Ad-hoc, specify
☑ Standalone reports highlighting targets and/or KPIs covering ESG issues

Typical reporting frequency
☐ Quarterly or more frequent
☐ Semi annually
☐ Annually
☐ Every two years or less
☐ Ad-hoc, specify
☐ Other, specify
☐ No reporting on ESG issues requested and/or provided by portfolio companies

PE 17 Voluntary Additional Assessed PRI 2
PE 17.1 Indicate whether your organisation discloses information on ESG issues to potential buyers prior to exit for private equity investments.

- We always include ESG issues in pre-exit information
- We include ESG issues in pre-exit information in the majority of cases
- We include ESG issues in pre-exit information in the minority of cases
- We do not include ESG issues in pre-exit information

PE 17.2 Apart from disclosure, describe how your organisation considers ESG issues at exit.

Not relevant in our case as we are not involved in the selling of investments back to public markets or to other buyers. Our activity is strictly as an LP.

Communication

PE 20 Mandatory Core Assessed PRI 6

PE 20.1 Indicate whether your organisation proactively discloses ESG information on your private equity investments.

- Disclose publicly

<table>
<thead>
<tr>
<th>PE 20.1</th>
<th>Indicate whether your organisation proactively discloses ESG information on your private equity investments.</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔️ Disclose publicly</td>
<td></td>
</tr>
</tbody>
</table>

Provide URL

http://www.rlam.co.uk/PageFiles/8514/TCAM%20Responsible%20Investment%20Annual%20Review%202011-12%20%20FIN%20%20Hi%20Res.pdf

Provide URL


PE 20.2 Indicate whether the type of ESG information you proactively provide to the public is the same as that you provide to your clients (LPs)/beneficiaries.

- Yes

<table>
<thead>
<tr>
<th>PE 20.2</th>
<th>Indicate whether the type of ESG information you proactively provide to the public is the same as that you provide to your clients (LPs)/beneficiaries.</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔️ Yes</td>
<td></td>
</tr>
</tbody>
</table>

PE 20.3 Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients (LPs)/beneficiaries.

- ESG information in relation to our pre-investment activities
- ESG information in relation to our post-investment monitoring and ownership activities
- Information on our portfolio companies’ ESG performance
- Other, specify

- ESG information in relation to our pre-investment activities
- ESG information in relation to our post-investment monitoring and ownership activities
- Information on our portfolio companies’ ESG performance
- Other, specify
PE 20.4 | Indicate your organisation’s typical frequency of disclosing ESG information to the public and/or your clients (LPs)/beneficiaries.

- Quarterly or more frequently
- Semi annually
- Annually
- Every two years or less frequently
- Ad-hoc, specify

PE 20.7 | Describe the ESG information and how your organisation proactively discloses it to the public and/or clients (LPs)/beneficiaries. [Optional]

Under normal circumstances, we report less frequently than annually because in this asset class are not large or complex enough to warrant reporting more often.

- No
- Disclose to investor clients (LPs)/beneficiaries only
- No proactive disclosure to the public or to clients (LPs)/beneficiaries

PE 20.8 | Additional information. [Optional]

Our private equity investments were made purely on behalf of the life and savings business of the parent group. We do not offer private equity funds to other parties and our involvement is purely as a Limited Partner.

PE 21 | Voluntary | Descriptive | PRI 6

PE 21.1 | Describe your organisation’s approach to disclosing ESG incidents in private equity investments to your investor clients (LPs).

Not relevant as we act only as an LP.
PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.
Overview

PR 04 | Voluntary | Descriptive | PRI 1-6
--- | --- | --- | ---

**PR 04.1** Provide a brief overview of your organisation’s approach to responsible investment in property where you have equity stakes.

We acknowledge that our business and property investment activities have environmental impacts through the use of energy, natural resources and the production of waste. RLAM operates a Sustainability Policy within its property funds and actively considers ESG impact in property selection, management and construction/refurbishment. Each year, RLAM sets out key ESG targets and works with property managers, tenants and contractors to ensure we are making continual progress.

PR 05 | Mandatory | Core Assessed | PRI 1-6
--- | --- | --- | ---

**PR 05.1** Indicate if your organisation has a Responsible Property Investment (RPI) policy.

○ Yes

**PR 05.2** Provide a URL if your RPI policy is publicly available. [Optional]

[https://www.rlam.co.uk/Products/Property/Sustainable-investment/](https://www.rlam.co.uk/Products/Property/Sustainable-investment/)

○ No

**PR 05.3** Additional information. [Optional]

RLAM has a Sustainability Policy and sets out sustainable property management targets each year, which are disclosed on our website.

Fundraising of property funds

PR 06 | Mandatory | Core Assessed | PRI 1,4,6
--- | --- | --- | ---

**PR 06.1** Indicate if your fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.

○ Yes
○ No
○ Not applicable as our organisation does not fundraise

**PR 06.5** Additional information. [Optional]

We do not pitch for new fund mandates at this time.
<table>
<thead>
<tr>
<th>PR 07</th>
<th>Voluntary</th>
<th>Additional Assessed</th>
<th>PRI 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PR 07.1</strong></td>
<td>Indicate whether your organisation makes formal commitments in fund formation contracts, Limited Partnership Agreements (LPAs) or in side letters relating to responsible investment in property when requested by clients.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- We always make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- In a majority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- In a minority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- We do not make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- Our clients do not request us to make formal commitments to responsible investment in property

| PR 07.2 | Additional information. |  |  |

We do not pitch for new fund management mandates at this time, therefore there is no mechanism through which we could make formal commitments.

---

### Pre-investment (selection)

<table>
<thead>
<tr>
<th>PR 08</th>
<th>Mandatory</th>
<th>Gateway</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PR 08.1</strong></td>
<td>Indicate if your organisation typically incorporates ESG issues when selecting property investments.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Yes

| PR 08.2 | Provide a description of your organisation’s approach to incorporating ESG issues in property investment selection. [Optional] |  |  |

RLAM and its agents will consider issues such as flood risk, environmental conditions (previous site use), and energy performance (EPCs) when selecting property investments.

- No

<table>
<thead>
<tr>
<th>PR 09</th>
<th>Voluntary</th>
<th>Descriptive</th>
<th>PRI 1,4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PR 09.1</strong></td>
<td>Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the property investment selection process.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Internal staff
  - Specify role
    - RLAM Responsible Investment Analysts
  - Specify role
    - RLAM Fund Manager
  - Specify role
    - RLAM Head of Support Services
☐ External resources
  ☑ Environmental advisors
  ☐ Social advisors
  ☐ Corporate governance advisors
  ☐ Regulatory and/or legal advisors
  ☐ Other, specify type of advisors/roles

  Sustainability experts that work for our property managers, Capita Property & Infrastructure

☐ No use of internal or external advice on ESG issues

### PR 10

<table>
<thead>
<tr>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 1,3</th>
</tr>
</thead>
</table>

### PR 10.1

Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process and list up to three examples per issue.

#### ESG issues

- ☑ Environmental

List up to three typical examples of environmental issues

- Flood risk
- Energy consumption and efficiency (EPCs)
- Environmental Conditions - previous site use, potential contamination or other environmental risks

- ☐ Social
- ☐ Governance

### PR 11

<table>
<thead>
<tr>
<th>Voluntary</th>
<th>Additional Assessed</th>
<th>PRI 1,3</th>
</tr>
</thead>
</table>

### PR 11.1

Indicate what type of ESG information your organisation typically considers during your property investment selection process.

- ☑ Raw data from the target property asset/company
- ☑ Appraisals/audits
- ☑ Benchmarks/ratings against similar property asset
- ☐ Country level data/benchmarks
- ☑ Data aligned with established property reporting standards, industry codes and certifications
- ☐ International initiatives, declarations or standards
- ☑ Data from engagements with stakeholders (e.g. tenants and local community surveys)
- ☑ Information from external advisers
- ☐ Other, specify
- ☐ We do not track this information

### PR 11.2

Additional information.

The Head of Support Services regularly monitors these issues when selecting investments.
### PR 12 - Voluntary

<table>
<thead>
<tr>
<th>PR 12.1</th>
<th>Indicate if ESG issues impacted your property investment selection process during the reporting year.</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑️ ESG issues helped identify risks and/or opportunities for value creation</td>
<td></td>
</tr>
<tr>
<td>☑️ ESG issues led to the abandonment of potential investments</td>
<td></td>
</tr>
<tr>
<td>☑️ ESG issues impacted the investment in terms of price offered and/or paid</td>
<td></td>
</tr>
<tr>
<td>☐ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants</td>
<td></td>
</tr>
<tr>
<td>☐ ESG issues were considered but did not have an impact on the investment selection process</td>
<td></td>
</tr>
<tr>
<td>☐ Other, specify</td>
<td></td>
</tr>
<tr>
<td>☐ We do not track this potential impact</td>
<td></td>
</tr>
</tbody>
</table>

### Selection, appointment and monitoring third-party property managers

<table>
<thead>
<tr>
<th>PR 13</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR 13.1</td>
<td>Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑️ Yes</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PR 13.2</th>
<th>Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑️ Selection process of property managers incorporated ESG issues</td>
<td></td>
</tr>
<tr>
<td>☑️ For all third party property managers</td>
<td></td>
</tr>
<tr>
<td>☑️ For a majority of property managers</td>
<td></td>
</tr>
<tr>
<td>☑️ For a minority of property managers</td>
<td></td>
</tr>
<tr>
<td>☑️ Contractual requirements when appointing property managers includes ESG issues</td>
<td></td>
</tr>
<tr>
<td>☑️ For all third party property managers</td>
<td></td>
</tr>
<tr>
<td>☑️ For a majority of property managers</td>
<td></td>
</tr>
<tr>
<td>☑️ For a minority of property managers</td>
<td></td>
</tr>
<tr>
<td>☑️ Monitoring of property managers covers ESG responsibilities and implementation</td>
<td></td>
</tr>
<tr>
<td>☑️ For all third party property managers</td>
<td></td>
</tr>
<tr>
<td>☑️ For a majority of property managers</td>
<td></td>
</tr>
<tr>
<td>☑️ For a minority of property managers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PR 13.3</th>
<th>Provide a brief description of your organisation’s selection, appointment and monitoring of third party property managers. [Optional]</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have specific environmental and social criteria we set for our property managers and we monitor their achievements and progress. For RLAM's longer-term contracts, such as with Capita Property&amp; Infrastructure, we include these criteria as a matter of course. Some of our shorter-term contracts, for example with CBRE, do not include explicit criteria due to the nature and time horizon of the investment.</td>
<td></td>
</tr>
</tbody>
</table>
Our contractors Inteb and Capita implement our sustainability and responsible investing practices within our property portfolios, including an Environmental Management System recently certified to ISO 14001. They report to us regularly on the progress achieved at each of our properties on criteria we set, such as water, waste, and CO2 emissions.

Post-investment (monitoring and active ownership)

Overview

PR 14 | Mandatory | Gateway | PRI 2
--- | --- | --- | ---

PR 14.1 | Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.
--- | --- | --- | ---

☐ Yes

PR 14.2 | Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.
--- | --- | --- | ---

☑ We consider ESG issues in property monitoring and management
☑ We consider ESG issues in property developments and refurbishments
☑ We consider ESG issues in property occupier engagements
☐ We consider ESG issues in community engagements related to our properties
☐ We consider ESG issues in other post-investment activities, specify

PR 14.3 | Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]
--- | --- | --- | ---

Post-investment activities will be based on continuous monitoring of key data mainly (but not exclusively) on the active management assets of the portfolios. This includes, environmental and flood risk. Post-investment monitoring for RLAM is conducted by Capita Property & Infrastructure. Refurbishments and construction projects will also include ESG targets and monitoring.

☐ No
Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.

- ☐ >90% of property assets
- ○ 51-90% of property assets
- ○ 10-50% of property assets
- ○ <10% of property assets

(in terms of number of property assets)

Indicate ESG issues for which your organisation, and/or property managers, typically sets and monitors targets (KPIs or similar) and provide examples per issue.

**ESG issues**

- ☑ Environmental

**List up to three example targets per issue**

- New buildings shall achieve a rating of at least 'Very Good' under the current version of BREEAM New Construction with an aspiration to achieve 'Excellent'
- CO2 emissions from new buildings shall be at least 15% less than the level required by the Building Regulations (2010) Part L
- Timber and timber products used in construction will be from sustainable sources accredited by the Forest Stewardship Council

- ☑ Social

**List up to three example targets per issue**

- All construction sites shall be registered under the Considerate Constructors Scheme
- Improve engagement with tenants to help reduce waste
- Increase social enterprise partnering and contribute to community development

- ☑ Governance

**List up to three example targets per issue**

- Achieve ISO 14001 certification of RLAM's Environmental Management System
- We do not set and/or monitor against targets

**Additional information. [Optional]**

In addition, Capita Property and Infrastructure set and report progress against 2013/14 targets including:

- Maintain 100% renewable electricity supplies.
- Increase electricity (and gas) AMRs to support half hourly data to support consumption monitoring, energy management and apportionment of utility bills.
- Waste Management service partners to maintain minimum 90% waste diversion from landfill rate for "top 20" properties & those in the Waste Management Procurement contract
- Establish water consumption baseline for managed properties
- Support RLAM EMS development and implementation
Property developments and refurbishments

PR 17

Mandatory
Core Assessed
PRI 2

PR 17.1
Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.

- >90% of active developments and refurbishments
- 51-90% of active developments and refurbishments
- 10-50% of active developments and refurbishments
- <10% of active developments and refurbishments
- N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

PR 17.2
Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.

- Minimum environmental site selection requirements
- Minimum environmental site development requirements
- Sustainable construction materials
- Minimum water efficiency requirements
- Minimum energy efficiency requirements
- Energy generation from on-site renewable sources
- Waste management plans at sites
- Health and safety management systems at sites
- Construction contractors comply with sustainability guidelines
- Other, specify

PR 17.3
Additional information. [Optional]

RLAM ensures that newly built properties have an environmental certification (BREEAM, LEED), which corresponds to local market expectations. Certifications for new buildings provide evidence and form a guarantee of the building’s future value.

Occupier engagement

PR 18
Mandatory
Core Assessed
PRI 2
PR 18.1 Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.

☐ >90% of occupiers
☐ 51-90% of occupiers
☒ 10-50% of occupiers
☐ <10% of occupiers

(in terms of number of occupiers)

PR 18.2 Indicate if the following practices and areas are typically part of your, and/or your property managers’ occupier engagements.

☐ Distribute a sustainability guide to occupiers
☐ Organise occupier events focused on increasing sustainability awareness
☒ Deliver training on energy and water efficiency
☒ Deliver training on waste minimisation
☒ Provide feedback on energy and water consumption and/or waste generation
☒ Provide feedback on waste generation
☒ Carry out occupier satisfaction surveys
☐ Other, specify

Resource efficiency reports, sustainable property management guide, tenant meetings and awareness campaigns.

PR 18.3 Additional information. [Optional]

Capita Property and Infrastructure delivers annual resource efficiency reports (covering energy, water and waste minimisation) to Centre Managers, Facilities Managers and Building Managers.

In 2014, Capita Property and Infrastructure published their Sustainable Property Management Guide, a first point reference guide to Property and Facility Managers as well as being suitable for reference by key stakeholders including tenants.

Capita also undertakes tenant meetings to review and discuss resource consumption and opportunities to save on energy costs. It distributes tenant newsletters, energy and water efficiency posters, and provides energy awareness campaigns.

Outputs and outcomes

PR 21 Voluntary Additional Assessed PRI 1,2

PR 21.1 Indicate if your organisation measures whether your approach to ESG issues in property investments has affected financial and/or ESG performance.

☐ We measure whether our approach to ESG issues impacts funds’ financial performance
☒ We measure whether our approach to ESG issues impacts funds’ ESG performance
Describe the impact on:

<table>
<thead>
<tr>
<th>Description</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds’ ESG performance</td>
<td>☑ Positive ☐ Negative ☐ No impact</td>
</tr>
</tbody>
</table>

☐ None of the above

PR 21.2 Describe how you are able to determine these outcomes.

On behalf of RLAM, the Managing Agents measure energy consumption, efficiency improvements, waste generation, waste diverted from landfill, recycling rates, and supports the identification and attainment of EPC ratings.

PR 22 Voluntary Descriptive PRI 1,3

PR 22.1 Provide examples of ESG issues that affected your property investments during the reporting year.

☐ Add Example 1

<table>
<thead>
<tr>
<th>ESG issue</th>
<th>Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of properties affected</td>
<td>All properties</td>
</tr>
<tr>
<td>Impact (or potential impact) on investment</td>
<td>RLAM seeks to reduce its carbon emissions by reducing energy use. This helps control our cost base and reduce energy bills for our tenants.</td>
</tr>
<tr>
<td>Activities undertaken to influence the investment and the outcomes</td>
<td>We have worked with Capita Property and Infrastructure to make changes to our properties to improve energy efficiency. Carbon emissions have been reduced by 641 tonnes (6.2%) across the 16 Carbon Saver Standard certified properties between 2013 and 2014. Across the top 20 consuming multi-let properties, included in the Energy Efficiency Programme (EEP), energy bureau verified data shows a 9% reduction in energy consumption between 2013 and 2014: Electricity consumption reduced by 750,000 kWh (8%); Gas consumption reduced by 1,350,000 kWh (38%, or 16% relative to temperature).</td>
</tr>
</tbody>
</table>

☐ Add Example 2
<table>
<thead>
<tr>
<th>ESG issue</th>
<th>Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of properties affected</td>
<td>All properties</td>
</tr>
<tr>
<td>Impact (or potential impact) on investment</td>
<td>Reducing water consumption of our properties helps us control costs for both us and our tenants and reduces the environmental impact of our properties.</td>
</tr>
<tr>
<td>Activities undertaken to influence the investment and the outcomes</td>
<td>We established the baseline consumption in 2013 for both RLAM and RL CIS (formerly the Cooperative Asset Management). We are now tracking our water consumption across our properties to determine where we can make improvements. For RLAM, water consumption increased by 16,986m³ between 2013 and 2014. The number of water meters monitored by our partners Clifford Talbot Partnership increased from 33 to 38. We intend to investigate the reasons for the increase as part our environmental management plan during 2015. For the 13 properties owned by RL CIS, water consumption decreased by 3,295m³ on a like-for-like basis.</td>
</tr>
</tbody>
</table>

Add Example 3

<table>
<thead>
<tr>
<th>ESG issue</th>
<th>Waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of properties affected</td>
<td>All properties</td>
</tr>
<tr>
<td>Impact (or potential impact) on investment</td>
<td>Recycling and reuse of waste for generating energy helps reduce our carbon emissions and environmental impact.</td>
</tr>
<tr>
<td>Activities undertaken to influence the investment and the outcomes</td>
<td>RLAM and Capita have a shared commitment to recycle as much as possible and dispose of everything else according to best environmental practice. Only 7% of waste generated during the year was sent to landfill, which is a decrease from 14% since 2013 (like-for-like data). This waste has been diverted from landfill to create energy. Our recycling rate remained at 34% over the last two years.</td>
</tr>
</tbody>
</table>

Add Example 4
<table>
<thead>
<tr>
<th>ESG issue</th>
<th>Green Travel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of properties affected</td>
<td>Castlewood House and 59 Berwick Street</td>
</tr>
<tr>
<td>Impact (or potential impact) on investment</td>
<td>Promoting green travel helps reduce our tenants’ environmental impact and road congestion. It also helps promote healthy and active lifestyles.</td>
</tr>
<tr>
<td>Activities undertaken to influence the investment and the outcomes</td>
<td>At Castlewood House, the Property Manager arranged for a cycle safety day where 150 cyclists/tenants were offered a free bike safety check to help promote cycling to work. At 59 Berwick Street, residential tenants have been signed up to Zip Car Club car sharing scheme.</td>
</tr>
</tbody>
</table>

☐ Add Example 5

---

<table>
<thead>
<tr>
<th>Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PR 23</strong></td>
</tr>
<tr>
<td><strong>PR 23.1</strong></td>
</tr>
<tr>
<td>Disclose publicly</td>
</tr>
<tr>
<td>provide URL</td>
</tr>
<tr>
<td><a href="https://www">https://www</a> rlam co.uk/Products/Property/Sustainable-investment/</td>
</tr>
</tbody>
</table>

| **PR 23.2** | Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments’ ESG performance. |
| ☐ Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS) |
| ☒ Other property reporting standards, specify |
| GRESB |
| Carbon Saver Gold |
| ☐ No property specific reporting standards are used |

| **PR 23.3** | Indicate if the level of ESG information you provide to the public is the same as the level you provide to your clients/beneficiaries. |
| ☒ Yes |

---

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PR 23.4 Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients/beneficiaries.

- [ ] ESG information on how you select property investments
- [ ] ESG information on how you monitor and manage property investments
- [ ] Information on your property investments' ESG performance
- [ ] Other, specify

PR 23.5 Indicate your organisation’s typical frequency of disclosing ESG information to the public and/or your clients/beneficiaries.

- [ ] Quarterly or more frequently
- [ ] Semi annually
- [ ] Annually
- [ ] Every two years or less frequently
- [ ] Ad-hoc, specify

- [ ] No
- [ ] Disclose to clients/beneficiaries only
- [ ] No proactive disclosure to the public or to clients/beneficiaries