




The image shows two overlapping forms from the PRI LEA (Leadership Engagement Assessment) toolkit. The top form is LEA 02, titled 'Discretionary', and the bottom form is LEA 03, titled 'Mandatory'. Both forms are used for assessing engagement with investee companies. LEA 02 includes a section for 'Reason for interaction' with checkboxes for 'To support investment decision-making in a company's transition to a sustainable business model', 'To encourage corporate action on climate change', 'To encourage corporate action on human rights', 'To encourage corporate action on labour rights', 'To encourage corporate action on other ESG issues', and 'Other specify'. LEA 03 includes a section for 'Type of engagement' with checkboxes for 'Individual/ internal staff engagements', 'Collaborative engagements', and 'Service provider engagements'.

RI TRANSPARENCY REPORT

2013/14

Royal London Asset Management



UNEP Finance Initiative
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

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 2013-14 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. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

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

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
⌛	The signatory has flagged this indicator for internal review

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

PRI disclaimer

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Private							✓
OO 08	Breakdown of AUM by market	✓	Private							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
OA 16	ESG issues for externally managed assets not reported in framework	⚠	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	✓	Public	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Private							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓					✓	
SAM 07	Appointment considerations (listed assets)	✓	Public				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	🔒	n/a		✓					
SAM 10	Selection processes (non-listed assets)	🔒	n/a	✓					✓	
SAM 11	Appointment considerations (non-listed assets)	🔒	n/a				✓			
SAM 12	Monitoring processes (non-listed assets)	🔒	n/a	✓					✓	
SAM 13	Description of RI considerations in 'other' asset classes	🔒	n/a	✓					✓	
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓					✓	
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public		✓					
SAM 16	Disclosure of RI considerations	✓	Public						✓	

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	✓	Public	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private	✓						
FI 02	Breakdown of investments by credit quality	✓	Private							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Public	✓						
FI 06	Types of screening applied	✓	Public	✓						
FI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
FI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
FI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
FI 10	Description of ESG integration	✓	Public	✓						
FI 11	Review of ESG issues while researching companies/sectors	✓	Public	✓						
FI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	🔒	n/a	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	✓	Public		✓					
FI 20	Engagement with government issuers	🔒	n/a		✓					

Direct – Private Equity				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PE 01	Breakdown of investments by strategy	✓	Private							✓
PE 02	Typical level of ownership	✓	Public							✓
PE 03	Description of approach to RI	✓	Public	✓					✓	
PE 04	Investment guidelines and RI	✓	Public		✓					
PE 05	Fund placement documents and RI	✓	Public	✓			✓		✓	
PE 06	Formal commitments to RI	✓	Public				✓			
PE 07	Incorporating ESG issues when selecting investments	✓	Public	✓						
PE 08	ESG advice and research when selecting investments	✓	Public	✓						
PE 09	ESG issues in investment selection process	✓	Public	✓		✓				
PE 10	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PE 11	Encouraging improvements in investees	✓	Public	✓	✓					
PE 12	ESG issues impact in selection process	✓	Public	✓						
PE 13	Proportion of companies monitored on their ESG performance	✓	Public		✓					
PE 14	Proportion of portfolio companies with sustainability policy	✓	Public		✓					
PE 15	Actions taken by portfolio companies to incorporate ESG issues into operations	✓	Public		✓					
PE 16	Type and frequency of reports received from portfolio companies	✓	Public		✓	✓				
PE 17	Disclosure of ESG issues in pre-exit	✓	Public		✓					
PE 18	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PE 19	Examples of ESG issues that affected your PE investments	✓	Private	✓		✓				
PE 20	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	
PE 21	Approach to disclosing ESG incidents	✓	Public						✓	

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Private							✓
PR 02	Breakdown of assets by management	✓	Public							✓
PR 03	Largest property types	✓	Private							✓
PR 04	Description of approach to RI	✓	Public	✓					✓	
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 06	Fund placement documents and RI	✓	Public	✓			✓		✓	
PR 07	Formal commitments to RI	✓	Public				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PR 12	ESG issues impact in selection process	✓	Public	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	✓	Private		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Private		✓					
PR 20	Proportion of assets engaged with on community issues	✓	Public		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	

Royal London Asset Management

Reported Information

Public version

Organisational Overview

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Basic Information

OO 01

Mandatory

Gateway/Peering

General

OO 01.1

Select the services you offer.

☒ Fund management

% of assets under management (AUM) in ranges

☐ <10%

☐ 10-50%

☒ >50%

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

% of assets under management (AUM) in ranges

☒ <10%

☐ 10-50%

☐ >50%

☐ Other, specify

☒ Execution and advisory only 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. On August 1st, Royal London Group announced that it had acquired the Life and Savings business of the Co-operative Banking Group, adding c. £20bn of AUM to RLAM's £53bn. RLAM is presently integrating The Co-operative Asset Management (TCAM), including its Responsible Investment team. Throughout this assessment, we refer to RLAM and TCAM, noting where we are answering on behalf of the separate entities as they were during 2013, and where we are answering on behalf of the combined entity. Regarding execution and advisory only services, the combined entity provides ESG consulting services to asset owners on a discretionary basis, its principal client being the National Employment Savings Trust (NEST).

OO 02

Mandatory

Peering

General

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).

FTE

160

OO 03 **Mandatory** **Descriptive** **General**

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ☐ Yes
☒ No

OO 04 **Mandatory** **Gateway/Peering** **General**

OO 04.1 Indicate the year end date for your reporting year.

31/12/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		73	000	000	000
Currency	GBP				
Assets in USD		113	697	364	625

OO 04.3 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%)

OO 06 **Mandatory** **Descriptive** **General**

OO 06.1 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

	Internally managed (%)	Externally managed (%)

Listed equity	32	2
Fixed income – corporate	29	0
Fixed income – government	14	0
Fixed income – other	5	0
Private debt	0	0
Private equity	1	0
Property	6	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	1	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	10	0
Other (1), specify	0	0
Other (2), specify	0	0

☐ 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)

OO 06.2 Additional information. [Optional]

Calculations are approximate to reflect the ongoing integration of the Co-op's Life& Savings business.

OO 09	Voluntary	Descriptive	General
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OO 09.1

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 £73bn of assets, about half of which is Royal London Group's. Royal London Group consistently and publicly highlighted the advantages of acquiring the Co-operative's responsible investing capability during its negotiations with Co-op to acquire its Life and Savings and asset management business:

<http://www.blueandgreeninvestor.com/news/articles/514/market/ethical-investment/Latest-acquisition-to-boost-the-ethical-investment-market>

RLAM is developing a proposition that will highlight its enhanced fund offering and ESG expertise along side its existing strengths. The RLAM and RLG boards are committed to ensuring that the acquisition makes the best use of this expertise and it is part of RLG's re-branding of the mutual of choice.

Gateway asset class implementation indicators

OO 10**Mandatory****Gateway****General****OO 10.1**

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 address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- ☒ 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 10.2

Indicate if your combined internally and externally managed listed equities are 10% or more of your total AUM.

- ☒ Yes, our total listed equities are 10% or more of our total AUM
- ☐ No, our total listed equities are less than 10% of our total AUM

OO 10.3

Additional information. [Optional]

The reporting period covers the first 7 months of the year when RLAM and TCAM (The Co-operative Asset Management) were separate entities and the final 5 months when they were legally one business but largely operationally separate, while a Target Operating Model for the combined business was being developed. While some approaches to RI were largely common (e.g. voting) to the two companies, others, such as integration of ESG analysis were approached differently. Our responses therefore reflect these distinctions.

OO 11	Mandatory	Gateway	General
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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.
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- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☐ Fixed Income – other
- ☒ Private equity
- ☒ Property
- ☐ Hedge funds
- ☐ Cash
- ☐ None of the above

OO 11.3	Additional information. [Optional]
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The reporting period covers the first 7 months of the year when RLAM and TCAM (The Co-operative Asset Management) were separate entities and the final 5 months when they were legally one business but largely operationally separate, while a Target Operating Model for the combined business was being developed. While some approaches to RI were largely common (e.g. voting) to the two companies, others, such as integration of ESG analysis were approached differently. Our responses therefore reflect these distinctions.

OO 12	Mandatory	Gateway	General
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OO 12.1	The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, 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. Direct - Fixed Income and Infrastructure are always voluntary.
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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
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- ☒ Listed Equity incorporation

	Direct - Listed Equity active ownership
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- ☒ Engagements
- ☒ (Proxy) voting

Direct - Fixed Income

- ☒ Fixed Income - Corporate
- ☐ Fixed Income - Government

Direct - Other asset classes with dedicated modules

- ☒ Private Equity
- ☒ Property

RI implementation via external managers

Indirect - Selection, Appointment and Monitoring of External Managers

- ☒ Listed Equities

Closing module

- ☒ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

Royal London Asset Management

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Public version

Overarching Approach

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Responsible investment policy

OA 01

Mandatory

Gateway/Core Assessed

General

OA 01.1

Indicate if you have a responsible investment policy.

☒ Yes

☐ No

OA 01.2

Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

OA 01.3

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]

TCAM and RLAM were early adopters of the UN PRI and have long held that asset managers that 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. When Royal London Group announced it was in negotiations to acquire the Life and Savings Business of the Co-operative Banking Group, it repeatedly emphasised the attraction of acquiring The Co-operative's well-known responsible investment team and funds and is in the process of integrating this enhanced capability into the wider RLAM.

RLAM's policies on responsible investment and stewardship can be found here:

<http://www.rlam.co.uk/About/CR/>

The Co-operative Asset Management's policies are found here:

<http://www.rlam.co.uk/Home-TCAM/Responsible-Investing/>

In 2014, RLAM will develop a common set of policies for the combined business.

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 all our shares 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.

OA 02**Mandatory****Core Assessed****PRI 6****OA 02.1**

Indicate if your responsible investment policy is publicly available.

☒ Yes

OA
02.2

Provide a URL to your responsible investment policy.

URL

<http://www.rlam.co.uk/About/CR/>

☐ No

OA 02.3

Indicate if your other policies or guidance documents related to responsible investment are publicly available.

☒ Yes

☐ Yes, all

☒ Yes, some

OA
02.4

List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
RLAM voting policy	http://www.rlam.co.uk/Documents-RLAM/About%20Us/CSR/Corporate%20Governance%20Guidelines.pdf
TCAM stewardship code statement	http://www.rlam.co.uk/Home-TCAM/Responsible-Investing/Stewardship-Code/
TCAM voting policy	http://www.rlam.co.uk/Documents/TCAM/TCAM%20Voting%20guide%20May%202013%20FINAL%20Web.pdf
TCAM voting database	http://co-operativeassetmanagement.co.uk/voting/
TCAM sustainable trust criteria & governance	http://www.rlam.co.uk/Home-TCAM/Our-Products/
RLAM sustainable property	http://www.rlam.co.uk/Documents-RLAM/Property/Statement%20of%20Achievement%202012.pdf

☐ No

OA 02.5 Additional information. [Optional]

Work is underway to harmonise the policies of RLAM and TCAM; for example, we already have a common voting policy.

OA 03

Mandatory

Core Assessed

PRI 1,2

OA 03.1

Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> 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 reporting period covers the first 7 months of the year when RLAM and TCAM (The Co-operative Asset Management) were separate entities and the final 5 months when they were legally one business but largely operationally separate, while a Target Operating Model for the combined business was being developed. While some approaches to RI were largely common (e.g. voting) to the two companies, others, such as integration of ESG analysis were approached differently. Our responses therefore reflect these distinctions. Our goal is to develop a set of policies covering substantially all of the combined business, over the next 12-18 months.

The CIS Ethical Engagement Policy highlights the ESG policy areas and beliefs that form the basis for engagement on the assets covered by this policy, namely, those that TCAM managed, during the year. In practice, this will act as a guide for RLAM's assets, for the time being.

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.
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☒ Yes

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

TCAM and RLAM's respective stewardship code statements explain how we manage potential conflicts of interest e.g. <http://www.rlam.co.uk/Home-TCAM/Responsible-Investing/Stewardship-Code/Principle-2/>

In essence, where potential conflicts of interest are identified, the Head of Responsible Investment will meet with other members of senior management to discuss how best to either avoid or overcome the conflict of interest. We are guided by the fiduciary principle of acting in clients' best interests while endeavoring never to unfairly disadvantage any one client.

☐ No

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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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

Prior to August 2013, RLAM did not have dedicated, full-time ESG staff. It has now acquired a team of 8 (including 4 fund managers), and it has been agreed that the Head of Responsible Investment will perform the same role for all of RLAM and report jointly to the Chief Investment Officer and to the Head of Sustainable Funds. The integration of ESG, responsible and sustainable investment and progress against agreed targets will be reviewed quarterly through the appraisal process. RLAM's senior management team has developed a 'Sustainable Investing Plan' to cover the next few years. This will be re-visited annually.

Governance and human resources

OA 07

Voluntary

Descriptive

General

Referring to the combined RLAM/TCAM entity, the board has responsibility for RI and ESG as a whole, while the CIO is responsible for ensuring its implementation. The board has reviewed and signed off a Sustainable Investing Plan, which explains at a very high level how its new capability will 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.

The Head of Responsible Investment will report jointly to the CIO and the Head of Sustainable Funds. The Head of Responsible Investment and the CIO are in almost daily contact on ESG issues.

The Head of RI and the Head of the CIS Sustainable equity trusts meet with the Head of Distribution and of Proposition, with their marketing and business development teams approximately once a month, at present.

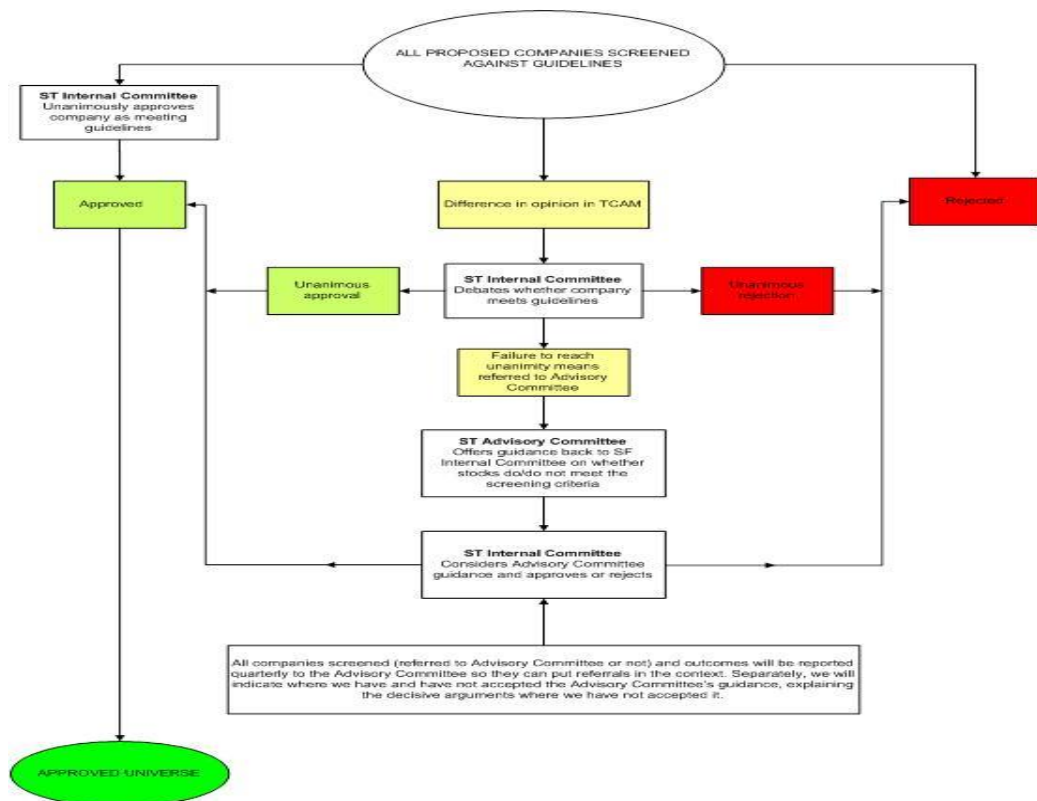
It has been agreed that the RI capability should have broad use across RLAM, in the spirit of the PRI and that RLAM will pursue opportunities to advantageously use the SRI capability in other asset classes. This will take a period of years to fully exploit, but the process has begun in earnest. Fixed Income and RLAM equities are likely to take priority, in addition to product development.

The Head of RI and the manager of the CIS Sustainable equity trusts will also meet monthly and no less frequently than quarterly with the RLAM CEO and the Head of Brand for Royal London Group to discuss responsible investing, sustainability and CSR matters.

Attached is the governance process regarding approval and removal of securities for the TCAM Sustainable Trusts.

This involves the external advisory committee on responsible investment, which has been in operation for over twenty years.

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



To upload the image click the Save button below

OA 08	Mandatory	Gateway/Core Assessed	General
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OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
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Roles present in your organisation

- ☒ 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
- ☒ 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

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
	Number

8

Prior to August 2013, RLAM did not have dedicated, full-time ESG staff. It has now acquired a team of 8 (including 4 fund managers), and it has been agreed that the Head of Responsible Investment will perform the same role for all of RLAM and jointly report to the Chief Investment Officer and Head of Sustainable Funds, whereas previously, the Head of RI reported to the Head of Research. As might be expected, at this stage, the combined RLAM/TCAM business is not yet uniform in how it approaches the governance of responsible investment.

Broadly speaking, the TCAM portfolio managers have enjoyed a strong level of integration with a dedicated team of ESG specialists and it has formed part of their evaluation and consequently remuneration.

At RLAM, before the TCAM acquisition, the CIO and portfolio managers had oversight and implementation responsibilities for RLAM's stewardship responsibilities. These consisted primarily in voting and engagement, and within that, primarily around corporate governance.

The intention is that, over time, these differences are deliberately eroded, so that there is greater interaction and spread responsibility across the organisation around responsible investment and ESG integration.

The new internal reporting arrangements and the development so soon of a Sustainable Investing Plan by the Head of Distribution's team, in conjunction with the Responsible Investment team shows that the topic is receiving a high priority.

OA 09	Voluntary	Additional Assessed	General
OA 09.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.		

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

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

OA 09.3

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

The CIO of 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 affect the variable remuneration of the CIO. The successful integration of the TCAM sustainable investment team is a KPA for some members of the RLAM executive team. In the case of TCAM, all fund managers and all financial research team members have as one of their KPIs, integration of ESG into their processes and their bonus and salary was in part dependant on their evaluation in this area through the appraisals process.

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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OA 10.1

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

☒ Yes

OA 10.2

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.

Select all that apply

- ☒ Asian Corporate Governance Association

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]

ACGA has been very useful in acting as an expert guide on Asian CG and we have been willing on occasion to add our name to engagements with corporates and with listing and regulatory entities, for example on Olympus.

- ☐ Association for Sustainable & Responsible Investment in Asia
☐ Australian Council of Superannuation Investors
☒ CDP Climate Change

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 were part of a CDP-based investor initiative called 'Aiming for A'. As part of this we engaged primarily with Centrica plc and BG plc in 2013 to encourage them to score an 'A' rating in the CDP Leadership Index.

- ☒ CDP Forests

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 were a signatory to CDP Forests and previously on the steering committee of the Forest Footprint Disclosure Project.

- ☐ CDP Water
- ☐ CFA Institute Centre for Financial Market Integrity
- ☒ Council of Institutional Investors (CII)

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]

CII performs a similar role for us in respect of the United States to ACGA in respect of Asia. We sometimes participate in investor calls they organise and support joint letters to corporates and regulators.

- ☐ 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 engagements and the development of best practice in CG for different regions to GIGN, for example: we brought to GIGN's members a letter seeking support for the Bangladesh Accord on Fire & Safety.

- ☐ 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 3 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 participate in engagements and the development of best practice in CG through 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
- ☒ Principles for Responsible Investment

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]

One of our dedicated ESG 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.

☒ 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]

One of our dedicated ESG staff in 2013 sat on the Leadership Committee at UKSIF and we attempted to host an event with UKSIF and EIRIS on commodities trading and alleged links to price volatility. We also led, via UKSIF's offices, a letter to UK Treasury asking them to consider their opposition to calls for a study by DECC, DEFRA and trade bodies investigating how the UK might be affected by resource constraints, that was reported in the Financial Times.

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

Tomorrow's Company

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

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

We have provided financial support for specific publications by Tomorrow's Company.

- ☐ Other collaborative organisation/initiative, specify
- ☐ Other collaborative organisation/initiative, specify
- ☐ Other collaborative organisation/initiative, specify

☐ No

OA 11	Mandatory	Core Assessed	PRI 4
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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]**

We delivered a training module on 'Responsible Investing: value and values' to the trustees of a client. Our agreement with Tomorrow's Company is our gesture toward funding 'blue sky' thinking on corporate responsibility and the role of business in society. 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. During 2012 we published an in-house paper examining the evidence for corporate governance having any effect on the performance of fixed income securities and their cost of capital. This was used as the basis for creating a screening methodology for our relatively new Sustainable Bond Trusts and was disclosed in our reporting.

In 2013, TCAM and RLAM were among sponsors of a report by the Foundation for Governance Education on practices, problems and solutions in investor engagement across a number of asset classes:

<http://www.foundationgre.com/FGRE%20Stewardship%20&%20Engagement%20Paper%20May%202013.pdf>

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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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

provide URL

<http://www.rlam.co.uk/Documents-RLAM/Literature/Review%20of%20Sustainable%20Investing.pdf>

provide URL

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31544/12-631-kay-review-of-equity-markets-interim-report.pdf

☐ No

☐ No

OA 12.4

Additional information.

Our CIO is the present Chairman of 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. He was also a commissioner of the Hight Pay Commission, which ran for one year, in 2010, and is a member of the Financial Reporting Council's Audit and Assurance Council.

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. For example, the above link gives at least three examples of where we have lobbied individual ministers or departments and states clearly what we asked for and whether we got it. We believe this method is succinct and is more likely to be understood by clients and the public. Clients may request verbatim submissions and indeed, for freedom of information reasons, most regulators will publish our responses to consultations. In any case, we always grant permission for our responses to be published by the consultor.

ESG issues in asset allocation

OA 13

Voluntary

Descriptive

PRI 1

OA 13.1

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

☒ Yes

OA 13.2

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

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 currently developing a position on the stranded assets debate. One of our KPIs for responsible investment in 2014 is to consider how we may do this through product development, as one possible route, as well as exploring how our fixed income team should consider long-duration macro issues like climate change and demographics. This is a topic which requires the involvement of our parent company, Royal London Group, which accounts as owner for around half of the assets RLAM manages. We will report in more detail to the PRI assessment in 2015.

☐ No

Asset class implementation not reported in other modules

OA 15	Voluntary	Descriptive	General
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OA 15.1

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.

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Fixed income - government	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. We will look to apply this process for a wider range of assets within the enlarged RLAM, during the year.

Investment execution and advisory services

OA 17	Voluntary	Descriptive	PRI 1,2
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OA 17.1

Indicate if your organisation takes account of responsible investment/ESG considerations when providing execution and/or advisory services.

☒ Yes
☐ No

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

Indirect – Manager Selection, Appointment and Monitoring

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

SAM 01	Voluntary	Descriptive	PRI 1-6
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SAM 01.1

Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

The following comments only apply to TCAM in 2013 as RLAM (pre-TCAM acquisition) does not presently outsource any investment management.

It is our policy to ensure that any new appointments or contract re-negotiations include an assessment of the bidding investment managers to understand whether they can meet our needs as regards ESG risk management, at a minimum, and additionally, whether they are signatories to or in any case fulfill to our satisfaction the UN PRI. This also includes the ability of the IM to avoid proscribed investments; namely cluster munitions and landmines (TCAM divested completely of all securities linked directly to indiscriminate weapons in 2011).

As a case in point, we are currently in negotiations with another IM to run one of our funds. The Head of Responsible Investment has been involved in the development of the Investment Management Agreement and the Service Level Agreement, which set out our expectations and requirements in respect of responsible stewardship and managing ESG risk.

SAM 02	Mandatory	Core Assessed	PRI 4
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SAM 02.1

Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.

- ☐ Yes
☒ No

SAM 03	Mandatory	Gateway	General
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SAM 03.1

Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring

Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

SAM 03.2	Additional information. [Optional]
---------------------	------------------------------------

As previously described, the Head of Responsible Investment is involved in selection, appointment and monitoring. Regular meetings are held with the appointed IM (at least annually) and, as part of the Service Level Agreement, we receive reports on Responsible Investment germane to our investments at least twice a year.

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 05	Mandatory	Gateway	PRI 1,2
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SAM 05.1 Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:

Active investment strategies

Active investment strategies	LE		
Screening	<input checked="" type="checkbox"/>		
Thematic	<input type="checkbox"/>		
Integration	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Passive investment strategies

Passive investment strategies	LE		
Screening	<input checked="" type="checkbox"/>		
Thematic	<input type="checkbox"/>		
Integration	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

**SAM
05.2**

Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.

	LE	
We engage directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>	
We require our external managers to engage on our behalf	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	

**SAM
05.3**

Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>
We require our external managers to cast our (proxy) votes on our behalf	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

Selection

SAM 06

Mandatory

Core Assessed

PRI 1-6

**SAM
06.1**

Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:

General

	LE		
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>		
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>		
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>		
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>		
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>		
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>		
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input checked="" type="checkbox"/>		
Discuss the type of ESG reporting you expect	<input checked="" type="checkbox"/>		
Assign specific weighting to ESG factors in your manager evaluation	<input checked="" type="checkbox"/>		
Other general aspects in your selection process, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Evaluate the quality and coverage of ESG research used by managers	<input checked="" type="checkbox"/>		
Assess how the manager incentivises brokers to provide ESG research	<input type="checkbox"/>		
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>		
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input checked="" type="checkbox"/>		
Evaluate index providers' ESG incorporation when designing the index	<input type="checkbox"/>		
Other ESG incorporation issues in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Engagements

	LE	
Discuss the managers' engagement processes	<input checked="" type="checkbox"/>	
Discuss the role managers have played in influencing companies' ESG practices and performance	<input checked="" type="checkbox"/>	
Discuss how information gained through engagement is incorporated into investment decision-making	<input checked="" type="checkbox"/>	
Other engagement issues in your selection process, specify	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	

If you select any 'Other' option(s), specify

We assign a weighting to ESG issues in manager selection in as much as IMs that cannot demonstrate good ability in this area would not be taken forward, in the tendering process.

Appointment

SAM 07	Voluntary	Additional Assessed	PRI 4
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SAM 07.1

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in investment management agreements/contracts for your listed assets:

General

	LE		
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>		
Other general RI considerations in investment management agreements, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Specific requirements relating to the incorporation of ESG issues into investment decision-making	<input checked="" type="checkbox"/>		
Other RI considerations relating to ESG incorporation in investment management agreements, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Engagement

	LE		
Specific requirements relating to engagement	<input type="checkbox"/>		
Other RI considerations relating to engagement in investment management agreements, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Reporting

	LE		
Reporting on the agreed responsible investment activities	<input checked="" type="checkbox"/>		
Reporting on the ESG characteristics of the portfolio	<input checked="" type="checkbox"/>		
Reporting on the impact of ESG issues on financial performance	<input checked="" type="checkbox"/>		
Other RI considerations relating to reporting in investment management agreements, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify
--

In the IMA, it typically states that the IM has to have adequate systems for the detection, integration and management of material ESG risks. This is confirmed in meetings with the IMs. There is also an obligation to act as a responsible steward, making specific reference to the UN PRI and the UK Stewardship Code as what shall constitute being a good owner. This puts an onus on the investment manager to engage with companies where it believes shareholder value is at risk or being destroyed by the actions of a holding company.

Monitoring			
SAM 08	Mandatory	Core Assessed	PRI 1
SAM 08.1	Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:		
	General		

	LE		
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>		
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>		
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>		
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>		
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>		
Other general aspects of your monitoring, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Request information on ESG incorporation in specific investment decisions	<input checked="" type="checkbox"/>		
Other ways you monitor ESG incorporation, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Engagements

	LE	
Review the ESG information relevant to the engagements	<input checked="" type="checkbox"/>	
Discuss the number of engagements and their comprehensiveness	<input checked="" type="checkbox"/>	
Discuss the type of role played (i.e. leading or supporting)	<input checked="" type="checkbox"/>	
Review the progress of ongoing engagements and/or outcomes of completed engagements	<input checked="" type="checkbox"/>	
Other ways you monitor engagement activities, specify	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	

If you select any 'Other' option(s), specify

In appraisal meetings, we will test the IM's knowledge of significant ESG developments at invested companies which we would expect them to be aware of.

Outputs and outcomes

SAM 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1-6
SAM 14.1	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.		
	<div> <div></div> <div>%</div> </div>		
	100		
SAM 15	Voluntary	Descriptive	PRI 2
SAM 15.1	Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.		

☒ Add Example 1

Topic or issue	Bribery & Corruption at a European oil services company.
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity
Scope and process	In accordance with our agreement, one of IMs approached us about new court cases brought against a European oil and gas services company and whether it was appropriate to proceed with an investment, at this point.
Outcomes	Our ESG team analysed the situation and provided a view to the IM and to our fund manager of the risk as well as possible upside of proceeding. We believe this was a good example of a functioning system of integration.

☒ Add Example 2

Topic or issue	Corporate governance and executive remuneration at invested companies.
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity
Scope and process	In one of our annual appraisal meetings devoted to ESG, we questioned the IM on their voting stance on a number of high-profile cases and whether they had done any engagement.
Outcomes	Although we maintain all voting rights ourselves, we request to know how the IM voted to see how far from our policies and views the IM is. This provided insight into the real-life differences in our respective approaches, which goes beyond paper policies that may appear adequate. These views contribute to whether we wish to renew a contract with an IM, when the opportunity arises.

☒ Add Example 3

Topic or issue	Monitoring of ESG performance in indirectly held equities
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity
Scope and process	As both we and the IM receive the same data and coverage from a common ESG information provider, we arranged that the IM be responsible for noting and passing on any changes in the ratings received by companies we hold via the IM.
Outcomes	This means that the IM can be held more accountable for failing to investigate any major deteriorations, as well as providing us with notice of such change (or indeed, significant upgrades). This also contributes to how we prioritise engagement in overseas holdings.

☐ Add Example 4

☐ Add Example 5

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1	Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.
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☒ Yes, we disclose information publicly

	provide URL
--	-------------

<http://www.rlam.co.uk/Documents-RLAM/Literature/Review%20of%20Sustainable%20Investing.pdf>

	provide URL
--	-------------

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

SAM 16.2	Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.
-----------------	--

☒ Yes

**SAM
16.3**

Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.

- ☐ How responsible investment considerations are included in manager selection, appointment and monitoring processes
- ☐ Details of the responsible investment activities carried out by managers on your behalf
- ☐ E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership
- ☒ Other, specify

We report primarily on engagement we have done on equities we own indirectly through external investment managers. This avoids double counting in engagement reporting.

☐ No

☐ Yes, we disclose information to clients/beneficiaries only

☐ We do not proactively disclose information to the public and/or clients/beneficiaries

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.

Overview

LEI 02	Voluntary	Descriptive	PRI 1
LEI 02.1	Provide a brief overview of how you incorporate ESG issues in listed equity investments.		

In 2011 and 2012, and for part of 2013, TCAM had a highly developed process for integrating ESG into the investment process for equities, explained in pages 6-12 of our last Annual Review:

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

It was referenced as leading practice in several sources, such as the EuroSIF annual SRI survey:

https://www.abi.it/DOC_Societa/Csr/Banche-e-Csr/Studio%20Eurosif%202012_x_sito.pdf

and the PRI's showcase report on ESG integration:

<http://www.unpri.org/press/pri-showcases-leading-examples-of-esg-integration-by-institutional-investors/>

In 2013, the decision was taken by RLAM that the TCAM research team per se would no longer be required as no such team existed in the rest of RLAM. Instead, two junior fund manager positions were created late in 2013, partly with a view to re-creating the bridge between the ESG team and the fund managers. The TCAM population, based in the North West of England is now much smaller than before. As such, a more informal system is needed and one that can also include the rest of the front office in London. We will work on developing an appropriate system in 2014. However, we are already laying the groundwork in making sure our ESG team members reach out to portfolio managers in equities, fixed income, property and even cash, where in every team there is interest in what we do and how it might help them. In the meantime, ESG specialists and fund managers continue to attend company meetings together. The ESG specialists continue to enhance the fund managers' knowledge by meeting and by publishing research on company, regulatory and thematic matters. The junior fund managers also participate in meetings with the ESG specialists where the agenda is purely about ESG issues.

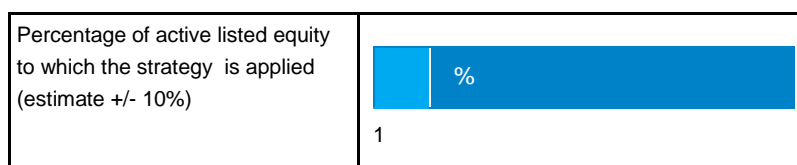
ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
LEI 03.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.		

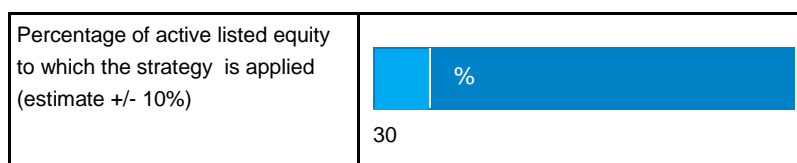
ESG incorporation strategy (select all that apply)

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



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

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

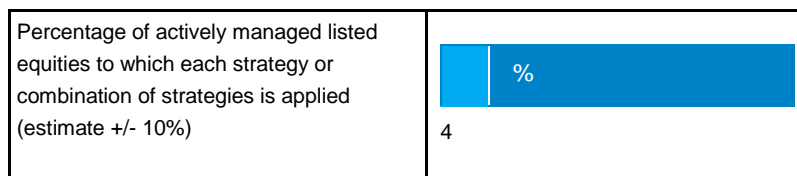


☐ Screening + Integration strategies

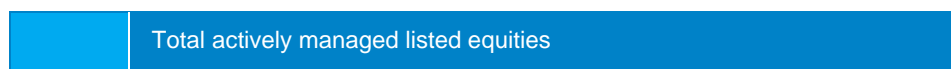
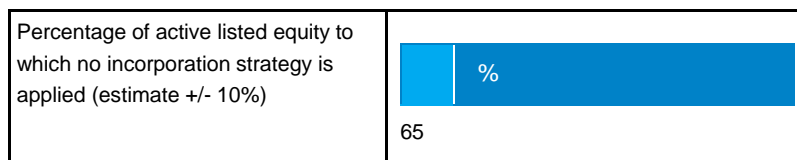
☐ Thematic + integration strategies

☐ Screening + thematic strategies

☒ All three strategies combined



☒ No incorporation strategies applied



100%

LEI 03.2

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

These figures reflect the respective historic approaches of RLAM and TCAM. In RLAM's case, negative screening is used for its Ethical Equity Fund. For pre-takeover RLAM's other equity holdings, fund managers have to consider ESG factors amid a range of risk factors and are expected to understand where they might be material and to act accordingly. RLAM (ex-TCAM) engages with corporates where it identifies significant ESG failings. However, this was not systematic and as such, we do not count it here as fully integrated, as defined by UN PRI.

In the case of TCAM, the picture is quite different. The majority of TCAM's equity holdings are active and TCAM had a dedicated ESG team, focussed primarily on equities. See below.

LEI 03.3

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

In the case of TCAM, during 2012 it continued to use a tiered approach: the 5 Sustainable Trusts used negative screening, thematic positive screening, integration and engagement (including voting, as is the case for all TCAM equities and all RLAM UK equities). Its non-screened active equity funds still benefitted from engagement and ESG integration. All of the above was systemised. For the remainder of active but outsourced equities, only voting and ad hoc engagement applied.

LEI 03.4

Additional information. [Optional]

Discussions are underway to consider how a larger proportion of the combined equities of RLAM and TCAM can benefit from one or a combination of ESG strategies. While 100% might be ideal, we do not consider 35% to be representative of the future.

LEI 04

Voluntary

Additional Assessed

PRI 1

LEI 04.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

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

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☒ Country-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
- ☒ Screened stock list

Indicate who provides this information

- ☐ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☒ Issue-specific 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
- ☐ Other, specify

LEI 04.2

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

In the case of TCAM, a team of 4 ESG specialists support four fund managers, using a variety of data sources to a) screen and monitor suitable companies for our Sustainable Trusts and b) provide ESG analysis and ratings for all companies in our primary equity sourcing pool: the FTSE350.

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, Morgan Stanley which cover issues, sectors and individual stocks
- ESG data from Bloomberg terminals and governance data from FactSet terminals
- Other sources including paper and web-based media.

In the case of RLAM (ex TCAM) for 2013, 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.

TCAM 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 usually 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. RLAM does not incentivise brokers on ESG, at present.

☐ No

LEI 04.5

Additional information.

The above comments reflect the operationally and legally separate entities of RLAM and TCAM, or RLAM (CIS) Ltd. as it became known following the acquisition of 31 July 2013.

LEI 05

Voluntary

Additional Assessed

PRI 1

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]**

As described elsewhere, following the acquisition of TCAM on July 31st 2013 the front office of TCAM is in the process of being integrated into RLAM. There is now a much smaller ex-TCAM population that is working to devise working systems for ESG integration within itself; being responsible for 5 Sustainable Trusts and a number of other large equity funds, and devising appropriate systems across the wider RLAM. As far as the use of engagement in the investment process goes, within the former TCAM population, who are based on a site in NW England, there is 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. As far as our colleagues in the front office in London goes, the CIO has directed the former TCAM team (including the fund managers) to make regular (i.e. weekly) visits or calls to relevant colleagues in London to share views, update on meetings held etc. This is already happening. The CIO, the Head of Responsible Investment and the Corporate Governance Manager are in contact almost daily regarding ESG issues, including engagement. We have recently agreed what our engagement priorities will be for 2014 and the results of this will be widely shared within RLAM.

(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 and CIS (TCAM) 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

	Description
--	-------------

The CIS (TCAM managed) Sustainable Trusts place even more emphasis on the positive and thematic criteria than the negative. 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.

☐ Norms-based screening

LEI 06.2

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 CIS Sustainable Trusts, on companies having to meet the positive criterion on products and services. TCAM 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. In future, RLAM will continue this kind of reporting. 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 TCAM's Sustainable Trusts. The only screen which applies across all of TCAM's equities, regardless of fund or strategy is the exclusion of companies directly involved in the manufacture and sale of indiscriminate weapons.

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

LEI 07.2**Additional information. [Optional]**

Some of this has been described on the previous page. For RLAM Ethical Funds, the negative screening is outsourced to the research company EIRIS. For the CIS 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.

LEI 08**Voluntary****Additional Assessed****PRI 1****LEI 08.1****Indicate which processes your organisation uses to ensure that fund criteria are not breached**

☒ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:

☒ Systematic

☐ Occasional

☐ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.

☐ Audits of fund holdings are undertaken regularly by internal audit function

☒ Other, specify

All funds and all securities that have historically passed the screening criteria are reviewed once every two years with spot checks, in between, on holdings.

☐ None of the above

LEI 08.2

If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

The CIS Sustainable Trusts (TCAM)

With regards to *invested* securities that are discovered to be in breach, the reason why a breach happened in the first place is identified and any deficiency in our process is corrected. 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 was performed in 2013 and a number of companies were removed the approved list.

The Ethical Trusts (RLAM)

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.

(B) Implementation: Thematic

LEI 09**Mandatory****Descriptive****PRI 1****LEI 09.1**

Indicate the type of sustainability thematic funds or mandates that your organisation manages.

- ☐ Environmentally themed funds
- ☐ Socially themed funds
- ☒ Combination of themes

LEI 09.2

Describe your organisation's processes for sustainability thematic funds.
[Optional]

Referring to the CIS Sustainable Trusts, 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 haven't 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

LEI 10

Voluntary

Descriptive

PRI 1

LEI 10.1

Describe how you integrate ESG factors into investment decision making processes.

In 2011 and 2012, and for part of 2013, TCAM had an advanced process for integrating ESG into the investment process for equities, explained in pages 6-12 of our last Annual Review:

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

It was referenced as an example of leading practice in several sources, such as the EuroSIF annual SRI survey:

https://www.abi.it/DOC_Societa/Csr/Banche-e-Csr/Studio%20Eurosif%202012_x_sito.pdf

and the PRI's showcase report on ESG integration:

<http://www.unpri.org/press/pri-showcases-leading-examples-of-esg-integration-by-institutional-investors/>

In 2013, the decision was taken by RLAM that the research team per se would no longer be required as no such team existed in the rest of RLAM. Instead, two junior fund manager positions were created late in 2013, partly with a view to re-creating a bridge between the ESG team and the fund managers. The TCAM population, based in the North West of England is now smaller. As such, a more fluid system is needed and one that can also include the rest of the front office in London. We will work on developing an appropriate system in 2014, however we are already laying the groundwork in making sure our ESG team members reach out to portfolio managers in equities, fixed income, property and even cash, where in every team there is interest in what we do and how it might help them. In the meantime, ESG specialists and fund managers continue to attend company meetings together and for the former to update the latter by meeting and by publishing research on company, regulatory and thematic matters. The junior fund managers participate in meetings with the ESG specialists where the agenda is purely about ESG issues.

A consequence of this change is that the dialogue within which ESG issues are discussed largely remains dialogue, with decisions on investments being taken more quickly and with less of an audit trail; we are not tied to the system of stock sheets and formal, written recommendations as we were before. That brings advantages in terms of speed and flexibility but it is more difficult to plot the impact of ESG, even though its importance is no less than it had been and still sometimes results in companies being favoured or avoided.

In the case of RLAM (ex. TCAM) there is as yet no formal system of integration of ESG in equities, though the CIO and the portfolio managers have responsibility for voting RLAM's shares and governance issues are regularly raised with investee companies.

In 2014 RLAM will review what is the best way it can meet this PRI Principle but improving and spreading integration is a project likely to carry on into 2015 and beyond, given the complexity involved.

LEI 11**Mandatory****Core Assessed****PRI 1****LEI 11.1**

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> 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 for all of post-takeover RLAM's equities strategies because 'occasionally' represents the average of RLAM and TCAM's historic approaches. As previously explained, in TCAM's case, in-house actively managed equity portfolios involved a high level of ESG integration, as explained in our 2012 Annual Review of Responsible Investing:

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

(see pages 6-12, where we go into great length to explain the ESG integration process with real examples)

TCAM's externally managed and passive strategies received ad hoc analysis and engagement, and policy-based voting, in all cases.

In RLAM (ex. TCAM)'s case, all equities benefit from policy-based voting but environmental and social issues are analysed only with some systematic component in relation to the UK Ethical Equity Trust, and for everything else, on a reactive basis.

As previously noted, this is something that RLAM will review in the coming year.

LEI 12	Voluntary	Descriptive	PRI 1
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LEI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ 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
The quality of ESG analysis, in terms of relevance, depth, accuracy and timeliness is a KPI for all specialist ESG staff & appraised quarterly.
- ☐ None of the above

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.
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ESG scores are maintained for all companies within the primary equity pool; the FTSE350 and these are updated at least quarterly, and ad hoc if newsflow justifies it. Meetings are held with all the Fund Managers and relevant ESG specialist. The ESG specialist will highlight companies that are either particularly strong or deficient in areas that might affect the future value of the share and these issues are discussed and any follow-up action is agreed e.g. the need to adjust a Discounted Cash Flow, or engage with the company. These analyses will be shared with the wider RLAM front office in 2014.

For the Sustainable Trusts, 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 important for fund managers understanding the ESG rationale for their inclusion/exclusion.

LEI 13	Voluntary	Additional Assessed	PRI 1
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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
 - ☐ Systematically
 - ☒ Occasionally
- ☒ 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

We will predict damage to share prices as a result of negative of potential negative ESG newsflow.

☐ Other, specify

LEI 13.3

Additional information.

Previous answers have described how RLAM's approach to integration in 2013 was characterised by two very different approaches; both of which are currently under review with the desire to create a harmonised approach for the enlarged entity.

ESG specialists give a 'quality of management' as well as a governance assessment for all constituents in our main equity sourcing pool. Where there is a strong prima facie case for it, fund managers will work with the ESG specialists to adjust income forecasts, growth rates and discount rates. However, for 2013, unlike 2012, this was not systematic in either RLAM or TCAM's case, because of the change in ownership situation and the discontinuation of a large, dedicated research function in TCAM.

ESG incorporation in passively managed listed equities

LEI 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1
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LEI 14.1	Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.
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☒ Yes

LEI 14.2	Indicate the percentage of your total passive listed equity funds for which ESG issues are incorporated in the index construction methodology.
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	(% 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.
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☒ Index/fund 1

Index/fund name and brief description of ESG methodology	ESG incorporation strategy
<p>CIS UK FTSE4Good Fund. More information on the methodology is available here: http://www.ftse.co.uk/Indices/FTSE4Good_Index_Series/</p> <p>Essentially, the index derived from FTSE's ranking of companies based on an externally validated assessment of company performance on:</p> <ul style="list-style-type: none"> • Environmental Management • Climate Change • Human and Labour Rights • Supply Chain Labour Standards • Countering Bribery <p>More details are available, here: http://www.ftse.co.uk/Indices/FTSE4Good_Index_Series/Downloads/FTSE4Good_Inclusion_all_copy_Aug2013.pdf</p>	<p><input checked="" type="checkbox"/> Screening</p> <p><input type="checkbox"/> Thematic</p> <p><input type="checkbox"/> Integration of ESG issues</p> <p><input type="checkbox"/> Other</p>

☐ Index/fund 2

☐ Index/fund 3

☐ Index/fund 4

☐ Index/fund 5

☐ No

Outputs and outcomes

LEI 15	Voluntary	Descriptive	PRI 1
LEI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.		

☒ Screening

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

In the case of TCAM, our screening process results in, on average, 1 in 3 securities being rejected for our Sustainable Trusts. 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 TCAM'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.

In the case of RLAM (ex-TCAM), ESG incorporation via negative screening obviously affects the investible universe, though it has not acted as a constraint on performance.

Specify the percentage reduction

%

33

- ☐ 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.

- ☒ Index incorporating ESG issues (for passively managed funds)

Describe influence on composition or other effects

The only fund RLAM/TCAM managed in 2013 that was passive and indexed according to ESG criteria was the CIS UK FTSE4Good Tracker Trust. The 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/TCAM.

LEI 15.2	Additional information.
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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.

LEI 16	Voluntary	Descriptive	PRI 1
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LEI 16.1	Indicate if you believe that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.
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a) Impacted funds' financial performance
--

Screening	Thematic	Integration of ESG issues	Index incorporating ESG(for passively managed funds)
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No

b) Reduced funds' risk or volatility

Screening	Thematic	Integration of ESG issues	Index incorporating ESG(for passively managed funds)
<input type="radio"/> Yes <input checked="" type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> No

c) Improved funds' ESG performance

Screening	Thematic	Integration of ESG issues	Index incorporating ESG(for passively managed funds)
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No

LEI 16.2

Describe how you are able to determine these outcomes and your actual performance.

In the case of TCAM, we are cautious about extrapolating generalities from the performance of particular funds. TCAM's established Sustainable Trusts have been its best performing funds, being first or second quartile over their lifetime; yet the distribution of our fund manager talent is more or less even across our screened and non-screened funds. Our view on this is that effective ESG strategies, including screening, integration and engagement, won't turn a mediocre fund manager a good one, however it will help a good fund manager perform better. This is certainly borne out by the empirical studies of the performance of balanced screened funds (as defined by Eurosif) versus non-SRI funds.

Our experience over the years tells us that the extra layers of diligence, the 'wider-world' perspective that ESG brings and the avoidance of companies with poor ESG practices when there are adequate opportunities where these problems don't present introduces a quality bias into our funds. This doesn't always overlap with a size bias (which would have resulted in stocks like BP being overweight).

The opinion on the FTSE4Good index is based on external reviews that suggest there is neither a boost nor a drag on performance by incorporating this index.

LEI 17**Voluntary****Descriptive****PRI 1****LEI 17.1**

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

☒ ESG issue 1

ESG issue and explanation
<p>A recent example involves an engagement project we led with a range of UK companies that source apparel from Bangladesh. The junior fund manager who had previously been responsible for the general retail and apparel sectors was involved in some of these meetings and the ESG specialists worked closely with the FM in posing the right questions and involving and updating the FM in the company meetings and their outcomes.</p>
ESG incorporation strategy applied
<p> <input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies <input type="checkbox"/> Index incorporating ESG issues </p>
Impact on investment decision or performance
<p>The FM has said that this process changed how he viewed several of these companies, whom he know quite well: some for the better and some for the worse and he has adjusted his formal outlook on the companies accordingly.</p>

☒ ESG issue 2

ESG issue and explanation
<p>Our mining analyst was asked in a meeting with fund managers what he had learnt about the sector in recent years. One of the two lessons he said was that ESG was genuinely material to performance and had they invested according to good ESG ratings alone such a basket of ESG-weighted stocks would have outperformed.</p>
ESG incorporation strategy applied
<p> <input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies <input type="checkbox"/> Index incorporating ESG issues </p>

☐ 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

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

Provide URL

<http://www.rlam.co.uk/Documents-RLAM/Literature/Review%20of%20Sustainable%20Investing.pdf>

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

LEI 18.5

Additional information. [Optional]

RLAM's current plans are to publish one more interim Sustainable Investment report in summer 2014 and in early 2015 to publish an Annual Review covering autumn 2013 to spring 2015. It is expected that every Annual Review in future will contain a detailed explanation of our efforts on integration. Quarterly or half-yearly reports will continue to contain examples of integration, in practice. For example, in one of our quarterly reviews, we published a highly detailed, real-life example of integration in relation to our holding at that time, of Essar Energy:

<http://www.rlam.co.uk/Documents-RLAM/TCAM/Engagement%20Review%20Winter%202011.pdf>

Royal London Asset Management

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

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Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
LEA 01.1	Provide a brief overview of your organisation's approach to engagement.		

Pre-takeover, RLAM and TCAM placed importance on engagement as a natural outcome of the belief in stewardship. Philosophically, our approaches are similar and there are no plans for change in terms of the enlarged company being vocal in our views, both privately and publicly, where appropriate, with companies, regulators and other stakeholders. Throughout 2013 and in 2014, for example, we continue to respond to important consultations from government and other bodies like the Law Commission and the Kay Review and identify E, S and G concerns in our top holdings, systematically planning engagement with them. We continue to advocate for progressive, risk-based regulation around economically important social environmental issues like pesticides and Health& Safety as explained in our recent review:

<http://www.rlam.co.uk/Documents-RLAM/Literature/Review%20of%20Sustainable%20Investing.pdf>

Our approach to engagement is both pro-active (in identifying latent issues before they crystallise) and reactive where necessary. We are aiming to build in processes that mean we can do more pro-active engagement so we need do less reactive engagement, especially in equities.

All levels of the organisation have first-hand involvement in engagement: the CIO, the portfolio managers and the dedicated Responsible Investment Team and it is the norm for meetings with companies to be held with all levels at RLAM represented.

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.

LEA 02	Mandatory	Gateway	PRI 1,2,3
LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.		

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input checked="" type="checkbox"/> Other, specify <p>We are also involved in collaborative engagements with regulators and trade bodies, for example, with the aim of influencing policy.</p> <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers

LEA 02.2	Additional information. [Optional]
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We also conduct engagement on behalf of clients who retain us for ESG services and/or fund management. Our principal client in this regard is National Employment Savings Trust (NEST).

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.		

☒ Yes

LEA
03.2

Describe how you identify and prioritise engagements.

We have two processes for identifying engagement targets.

1. 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, the excessive use of exceptional items in adjusted EPS calculations was identified as a common malpractice, as was the non-rotation of auditors. Through this, a target list of companies was identified and we continue to engage with these.

2. RLAM continues to implement a customer-mandated Ethical Engagement Policy that pertains to the CIS Life and Savings business RLAM's parent company bought. Here, 8 pillars, including issues like labour rights and environmental sustainability underpin the 'spare capacity' we have for engagement; we will endeavour to ensure that we do relevant engagement in each of these 8 pillars every two years. Wherever possible, we will focus on issues that are financially material as well as being of ethical importance to our customers. The Ethical Engagement Policy is based on the survey responses of some 40,000 CIS customers.

The CIO is made aware of all planned engagement projects for the year ahead, and receives formal briefings at least once a quarter, 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 fortnightly 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 (presently half-yearly) and annual 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.

☐ No

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, for example, through our involvement in the Business Benchmark for Animal Welfare, though 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 our support for a letter to the SEC and the Canadian natural resource trade body on the harmonisation of rules on bribery and corruption.

Consideration is given also to the profile of the other investors collaborating and the realism 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 is 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 fortnightly 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 (presently half-yearly) and annual reports.

☐ No

General processes for all three groups of engagers

LEA 09

Voluntary

Additional Assessed

PRI 1,2

**LEA
09.1**

Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No

**LEA
09.2**

Additional information.

In 2011 and 2012, and for part of 2013, TCAM had a highly developed process for integrating ESG, including engagement learnings and outcomes into the investment process for equities. The ex-TCAM population, now working as part of RLAM's front office and based in the North West of England is now smaller. As such, a more fluid system is needed and one that can also include the rest of the front office in London. We will work on developing an appropriate system in 2014, however we are already laying the groundwork in making sure our ESG team members reach out to portfolio managers across the enlarged RLAM; in equities, fixed income, property and cash. In the meantime, ESG specialists and fund managers continue to attend company meetings together and for the former to update the latter by meeting and by publishing research on company, regulatory and thematic matters. The junior fund managers participate in meetings with the ESG specialists where the agenda is purely about ESG issues. The ESG team also monitor RLAM holdings and participate in meetings initiated by our London colleagues, as well as inviting them to attend our meetings, and sharing any stand-out points from the engagement we conduct.

LEA 10

Mandatory

Gateway/Core Assessed

PRI 2

**LEA
10.1**

Indicate if you track the number of companies you engage with.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Collaborative engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

LEA
10.2

Additional information. [Optional]

During 2013, TCAM tracked most of its engagements, including objectives and whether these had been met in part, in whole, or not at all. In previous years, we have been required to produce numbers on substantive engagements for the purposes of ISO14001 certification. In 2013, this was not required as TCAM was being sold. In the case of RLAM, during 2013 there was no equivalent SRI team to keep a centralised audit trail of engagement, even though quite a lot of engagement took place via fund managers and the Chief Investment Officer. Our estimate covers both businesses and is correct, within a +/- 10% range.

Outputs and outcomes

LEA 11

Mandatory to Report Voluntary to Disclose

Core Assessed

PRI 2

LEA
11.1

Indicate the number of companies with which your organisation engaged during the reporting year.

	Number of companies engaged (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	330
Collaborative engagements	50

LEA
11.2

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

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input type="radio"/> > 50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 11.3	Indicate what percentage of your collaborative engagements you were a leading organisation during the reporting year. [Optional]
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Type of engagement	% Leading role
Collaborative engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 11.5	Additional information. [Optional]
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The above ranges are based on largely accurate records from TCAM and estimates from RLAM.

LEA 12	Voluntary	Additional Assessed	PRI 2
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LEA 12.1	Indicate if your engagements in the reporting year covered E, S and/or G issues.
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Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Collaborative engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

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

	Individual / Internal staff engagements
--	---

	% Environmental only
--	----------------------

	% Social only
--	---------------

18

	% Corporate Governance only
--	-----------------------------

62

	% Overlapping ESG issues
--	--------------------------

2

100%

	Collaborative engagements
--	---------------------------

	% Environmental only
--	----------------------

20

	% Social only
--	---------------

30

	% Corporate Governance only
--	-----------------------------

48

	% Overlapping ESG issues
--	--------------------------

2

100%

LEA 12.3	Additional information.
-----------------	-------------------------

Figures are approximate. As previously noted, RLAM and TCAM have historically had differing breadth, depth and recording of engagement.

LEA 14	Voluntary	Descriptive	PRI 2
---------------	------------------	--------------------	--------------

LEA 14.1	Provide examples of the engagements that your organisation carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Bangladesh and health and safety.
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Assess exposed companies on ability to implement the Accord on Fire and Safety.
Scope and Process	Following the Rana Plaza disaster we joined an investor group and co-signed a letter in support of retailers joining the Bangladesh Accord on Fire and Building Safety. We met with the UK retailers we own to better understand the issue, their response to Rana Plaza and the brand approach to responsible sourcing. Met face-to-face with 5 companies and involved our fund manager in process. Involved pre-agreed set of common questions.
Outcomes	As a result we requested increased investment in training and relationship building with suppliers, progression beyond the audit process and the integration of social KPIs in to the buying process. The engagement project also increased our understanding of the dynamics of the industry, the relative strengths and weaknesses of each company, and generated recommendations for some of those companies as to how to better manage operational and reputational risk.

☒ Add Example 2

Topic or ESG issue	Neonicotinoids and pollinators
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Lobby UK government to vote in favour of the moratorium on neonicotinoids at EU. Call for co-ordinated scientific study of the effects of such a ban.
Scope and Process	We had been active in engaging Bayer AG, a manufacturer of neonics and had written publicly on the subject. We became aware of the UK's intransigence prior to a crucial second vote and wrote to Owen Patterson, outlining our view that supporting the moratorium was the responsible option. We did not receive a reply.
Outcomes	Although the UK continued to vote against and the vote became deadlocked, happily the EU Commission used its executive power to implement the moratorium. While we can't take credit for changing the mind of UK government on this occasion, we have been part of the more responsible voice for implementing a moratorium.

☒ Add Example 3

Topic or ESG issue	Occupational Health & Safety in high-risk sectors.
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>This was a major project where we developed an in-depth, proprietary model to assess the policies and performance of companies on occupational health and safety. The premise for the project was that H& S performance in at-risk sectors is a good proxy for quality of management, overall.</p> <p>The project is reported in detail on pages 5-8, here:</p> <p>http://www.rlam.co.uk/Documents-RLAM/Literature/Review%20of%20Sustainable%20Investing.pdf</p>
Scope and Process	<p>We applied it to 16 major holdings across a range of manufacturing, chemical, industrial and food processing sectors.</p> <p>We conducted comprehensive engagement with most of these companies and refreshing our ratings on the back of this, communicating to companies how they had improved or not.</p>
Outcomes	15 of the 16 companies saw their score improve and many made direct changes to how they report their H& S activity as a result of the engagement.

☒ Add Example 4

Topic or ESG issue	Corporate tax avoidance
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative
Objectives	To devise a set of transparency principles that have the buy-in of professional services companies, companies and responsible NGOs on how companies pay and disclose their taxes.
Scope and Process	We and another investor have led a collaborative engagement with a number of companies, NGOs, professional services and investors themselves to agree a voluntary set of high-level transparency principles for companies who wish to demonstrate that their approach to tax is comprehensible, meets the spirit of tax law and reflects the reality of how they do businesses. This is in response to growing international concern that aggressive tax evasion is undermining economies and the faith of the public in both companies who adopt aggressive approaches and systematically exploit loopholes and in the companies and revenue services that sign off on them. This followed on from a thought piece we published in 2012 on the pitfalls of aggressive tax avoidance.
Outcomes	The project is not yet complete. We aim to produce the principles later in 2014. Once we do, we will promote it among companies, professional bodies, government and quasi-regulatory bodies and others who can express their support and/or intention to adopt them. We will then follow up on what companies do and don't adopt them, and where they do, how well they implement them.

☒ Add Example 5

Topic or ESG issue	Sustainable Fisheries
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Lobby UK government on the scientific view that The Scientific Advisory Panel's recommendations on the implementation of Marine Conservation Zones should be implemented in full.
Scope and Process	Following engagement with the SAP and having led engagements on sustainable fisheries in 2011 and 2012, we wrote to the DEFRA Minister responsible making the case for full implementation, on the basis that to proceed with a greatly watered down version, as his department was proposing, would fail completely to achieve the overall aim, which is to stabilise and ultimately grow the stocks of the critically endangered species in UK waters.
Outcomes	DEFRA did not agree with our proposals and, under pressure from other stakeholders, proceeded with their plans to implement just 27 of the 127 sites proposed for conservation.

- ☐ Add Example 6
- ☐ 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

	please provide URL
--	--------------------

<http://www.rlam.co.uk/Home-TCAM/Responsible-Investing/>

	please provide URL
--	--------------------

<http://co-operativeassetmanagement.co.uk/voting/>

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.
-----------------	--

	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 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

LEA 16	Voluntary	Descriptive	PRI 2
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**LEA
16.1**

Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).

Since 1997 TCAM has voted all shares in all markets according to a set of detailed, publicly disclosed corporate governance policies. We vote our shares on a best endeavours basis, but we accept there will be some markets where, because of bureaucratic hurdles, our votes may not be registered. In the case of RLAM pre-acquisition of TCAM, RLAM votes all its UK shares, where the vast majority of its equities by value are held. It is early in the integration of the two businesses but the decision in principle has been taken to have one centralised voting system for the enlarged business that will refer to one policy and will include all non-UK listed equities, in readiness for proxy season 2015.

We have led the tabling of shareholder resolutions in the UK in the past, for example at First Group, BP and Shell and will consider all shareholder resolutions on their merit. With regards to shareholder proposals in the US, where they are much more common, our default position is to support shareholder resolutions that make reasonable and relevant requests for better disclosure around material ESG risks and will vote in favour of issues where our corporate governance policy is clear and universal; for example, the splitting of the roles of Chief Executive and Chairman.

As previously explained, we use research from Manifest and IVIS, principally, to help inform our voting decisions, however we do not outsource our voting 'thinking' to third parties. Provisional voting decisions for TCAM's overseas holdings based on our templates but in the UK, where most of TCAM's and RLAM's holdings are based each ballot item is considered by at least one of 4 individuals in the combined entity, two of whom are 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.

From time to time, we attend AGMs and speak publicly about our concerns. This has, in the past, often led to positive changes at the company.

Process

LEA 17**Mandatory****Descriptive****PRI 2****LEA
17.1**

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

Approach

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

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 17.2	Additional information.[Optional]
-------------	-----------------------------------

TCAM 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. RLAM uses IVIS to inform its voting decisions, though these are taken by portfolio managers and the CIO. Information and proxy voting analysis is shared between RLAM and TCAM, and it is proposed that there be a centralised voting system using primarily the ESG team ready for proxy season 2015, which will cover all of the enlarged entities' equities in accordance with just one policy for the whole organisation. We will continue to use third party research as an aid, rather than a replacement for reaching our own views on how to vote.

LEA 19	Voluntary	Descriptive	PRI 2
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LEA 19.1	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
-------------	---

- ☒ Obtain confirmation that votes have been lodged:
 - ☒ 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.

As far as reasonably practicable, we ensure that all our votes are lodged with the custodians, registrars and ultimately with the company. Our proxy voting service provider receives a time stamp upon lodgement of our vote with the registrar. However, we are aware that problems may arise whereby votes are not counted because voting is done on a show of hands rather than on a poll. Some jurisdictions have also implemented rules that restrict investors' ability to lodge votes within a reasonable time frame. As an investor, we encourage all jurisdictions where we vote to adopt direct electronic voting to improve transparency in the voting chain. Where possible, we insist on holding designated accounts (as opposed to pooled accounts) with our custodians to ensure visibility of our voting intentions. Finally, for UK companies, we write to inform the company secretary where we intend to vote against a resolution to provide full and transparent communication regarding our voting instructions and the rationale behind our vote. This provides opportunities for engagement which we feel is valuable and demonstrates openness and transparency.

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. Our agreements with our custodians state that we can recall stock, in sufficient time to vote our shares in time so that they stand a proper chance of being registered. We have exercised this right on a number of occasions.

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]
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TCAM has always written to its UK-domiciled companies explaining in detail why it has not supported them at their General Meetings and inviting them to dialogue. We do not do so for our overseas holdings for reasons of resources, though we would consider a cost-effective way of doing so. In the case of RLAM pre-takeover, it writes selectively to companies where RLAM is voting against, based on the relative importance of the company to RLAM and/or the severity of the concerns. RLAM does not vote its overseas holdings, at present.

In future, these approaches will be harmonised and the overall level and breadth of voting and communication will increase on the 'average', today. TCAM's overseas companies may also learn of why we did not support them at General Meetings through our online voting record, which gives a brief explanation. This online record has been live since 2003 and is updated regularly. RLAM also discloses how it has voted online.

We have marked 'in most cases' above, because both RLAM and TCAM's holdings, by % of AUM are overwhelmingly UK-based.

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	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.
-----------------	---

☒ We do track or collect this information

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

	%
--	---

93

	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

LEA 22.2	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]
-----------------	--

Presently, RLAM (ex. TCAM) does not vote overseas holdings whereas TCAM does. The 7% shortfall reflects the value of RLAM holdings stripped out of the combined value of all RLAM and TCAM's equities. As most of RLAM's overseas equities are run passively, we would expect that this AUM approach to be broadly in line with a calculation based on the number of actual overseas holdings.




☐ We do not track or collect this information

LEA 23	Voluntary	Descriptive	PRI 2
---------------	------------------	--------------------	--------------

LEA 23.1	Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.
-----------------	--

☒ Yes, we track this information

LEA 23.2	Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:
-----------------	---

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management proposals	 89
Against (opposing) management proposals	 7
Abstentions	 4

100%

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

In general, we are supportive of shareholder proposals, particularly those that ask companies to adopt a policy on corporate responsibility matters or prepare reports at reasonable cost on the impact of their operations. In addition, we support proposals for corporate governance change, such as eliminating slate voting, implementing majority voting, or separating the roles of chairman and CEO. We do not support proposals for cumulative voting or that may restrict shareholder rights. Where an issue is particularly controversial or high-profile, we make best efforts to engage with both the proponent and the company in order to formulate our final position.

☐ No, we do not track this information

LEA 23.4	Additional information.
-----------------	-------------------------

The above proportions represent the average of RLAM and TCAM voting statistics for calendar year 2013.

LEA 24	Voluntary	Descriptive	PRI 2
---------------	------------------	--------------------	--------------

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

☒ No

LEA 24.6	Additional information.
----------	-------------------------

We have filed shareholder resolutions in previous years (BP and Royal Dutch Shell in 2010, First Group in 2006) and would do so again if the circumstances warranted it.

LEA 25	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

LEA 25.1	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Board Diversity
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To improve gender diversity on boards.
Scope and Process	To vote against the re-election of Nomination Committee Chairman for companies that have insufficient gender diversity on the board and where the company has not made progress in setting targets.
Outcomes	We voted against the Nomination Committee Chairman at 27 companies in the US and UK. We withheld our vote on one UK Nomination Committee Chairman. We wrote to all UK companies in advance of the AGM to inform them of how we intended to vote. As a result of engagement and voting actions by us and several other investors, we are pleased that in 2013 Low& Bonar, Colt Group, Melrose Industries, Aga Rangemaster Group plc have made improvements in the diversity of their boards.

☒ Add Example 2

Topic or ESG issue	Executive Remuneration
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To increase scrutiny of UK executive pay and ensure pay packages are linked to performance.
Scope and Process	To vote against the remuneration report where pay is considered excessive, where pay is not sufficiently linked to performance, or where there are concerns about the structure of the pay package.
Outcomes	Of the 263 remuneration resolutions we voted at UK companies in 2013, we voted against 90 resolutions, abstained on 25 resolutions and withheld our vote on 25 resolutions. We wrote to all UK companies in advance of the AGM to inform them of how we intended to vote. Several companies contacted us in late 2013 with the intention of consulting shareholders prior to the implementation of the binding remuneration policy vote. We provided feedback to convey our views on the proposed changes and met with remuneration committee chairs where appropriate. We expect to see some changes in several companies' remuneration policies in 2014 as a result of this engagement.

☒ Add Example 3

Topic or ESG issue	Voting on the Report and Accounts.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To improve companies' reporting on ESG issues and/or their management and reporting of greenhouse gases.
Scope and Process	To vote against the report and accounts where the company has failed to report its greenhouse gases emissions or where we have concerns about the management of environmental, social or governance issues.
Outcomes	We voted against the report and accounts at 24 UK companies, abstained at 4 companies and withheld our vote at 4 companies. Our most common reasons for voting against were political donations, poor disclosure of greenhouse gas emissions, board composition, failure to address material environmental or social issues, or due to other significant corporate governance concerns. We wrote to all UK companies in advance of the AGM to inform them of how we intended to vote and on occasions companies have contacted us to query our voting decisions.

☒ Add Example 4

Topic or ESG issue	Remuneration changes at British American Tobacco
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Get BAT to amend their new executive remuneration proposals to prevent excessive reward.
Scope and Process	Involved dialogue with BAT investor relations and board after they approached us for views on their new exec. rem. arrangements.
Outcomes	We have generally been supportive of BAT's remuneration and have been pleased with the overall level of pay disclosure. When the company consulted us in 2013 on proposed changes the remuneration plan, we expressed concerns about some elements that we felt would have the effect of ratcheting up pay. Following consultation with other shareholders, we are pleased that the company has agreed to maintain pay within the current limits and to increase the shareholding requirement for executives.

☒ Add Example 5

Topic or ESG issue	Improve board gender diversity at Premier Oil.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Urge Premier Oil to move on from an all-male board to one with female representation, ideally 25% by 2015.
Scope and Process	In collaboration with other investors, we met with the chairman of Premier Oil to discuss board diversity.
Outcomes	It was clear from the conversation that the company was highly aware of concerns regarding diversity within its workforce, particularly in the field of geological engineering. He also highlighted the challenges the company faces in recruiting diverse candidate in its different global locations. At the time of our discussion, the board was beginning to consider a board diversity policy as part of a wider review of succession planning and graduate recruitment. We are pleased that since our meeting, Premier Oil has added another female director to the board.

☒ Add Example 6

Topic or ESG issue	Aligning executive remuneration with shareholders at Hunting, board diversity.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Get Hunting plc to change its remuneration policy.
Scope and Process	Ongoing engagement with the Company on governance and remuneration.
Outcomes	We abstained on the remuneration report in 2011. Following this we have had Ongoing engagement with the Company on governance and remuneration. Hunting proposed changes to its remuneration policy in 2013. We were concerned by a number of elements of the changes which we communicated to the board. The Company has incorporated a number of our recommendations into the latest revision of executive remuneration.

☒ Add Example 7

Topic or ESG issue	Support a climate specialist in proxy nomination at BHP Billiton.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Signal to the board of BHP Billiton that climate change is a major issue for its business that would benefit from a strategic focus on the board.
Scope and Process	Met with Mr Dunlop, an ex-senior exec. in mining and coal, who was seeking support for his election to the BHP Billiton board. Considered his and the company's opposing arguments on the election. Voted in favour of Mr. Dunlop's election.
Outcomes	Following the vote, the company wrote to us seeking a meeting to discuss how the board has responded to Mr Dunlop's nomination, including the additional investments it is making in assessing its climate change risks.

☐ Add Example 8

☐ Add Example 9

☐ Add Example 10

Communication

LEA 26

Mandatory

Core Assessed

PRI 2,6

LEA 26.1	Indicate if your organisation proactively discloses information on your voting activities.
-----------------	--

- ☒ We disclose it publicly

	provide URL
--	-------------

<http://co-operativeassetmanagement.co.uk/voting/>

	provide URL
--	-------------

<http://www.rlam.co.uk/Documents-RLAM/About%20Us/CSR/Voting%20record%20H13.pdf>

LEA 26.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
-----------------	---

- ☒ Yes

LEA 26.3	Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.
-----------------	--

	Indicate how much of your voting record you disclose
--	--

- ☒ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☐ Summary of votes only

	Indicate what level of explanation you provide
--	--

- ☐ Explain all voting decisions
- ☒ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☐ No explanations provided

LEA 26.4	Indicate how frequently you typically report voting information.
-----------------	--

- ☐ Continuously (primarily before meetings)
- ☐ Continuously (soon after votes are cast)
- ☒ 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 our voting activities to the public and/or to clients/beneficiaries

TCAM updates its voting record once a month and contains narrative for all resolutions where we have not supported management (abstentions and votes against).

RLAM updates its voting record once every six months. Presently, it does not include a rationale for its voting decisions. The frequency and detail of communication is being reviewed.

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.

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		

RLAM and TCAM, prior to merging in late 2013, had somewhat different approaches to ESG incorporation in fixed income. Overall, a moderate level of integration of ESG factors applies, compared to equities, where we have made more progress.

ESG analysts sit in weekly credit meetings. Holdings are reviewed periodically for tail risks, e.g. in the utilities and oil and gas sectors and TCAM 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.

We publish analysis of sustainability/ESG and fixed income from time to time in our quarterly reporting and in our annual report we have a section on how ESG factors are considered in our process. We expect to treat all of the above as the baseline approach for 2014 for the merged business and to build on this, to improve our knowledge and offering in this area.

For example, in April 2014 the advisory committee of the combined RLAM/TCAM business will consider a report prepared by us on developments in SRI/ESG in fixed income and what our competitors are doing, as part of a project to create a coherent ESG strategy for all our fixed income assets and to ensure we capitalise in this area.

Fixed Income - Corporate

Implementation processes

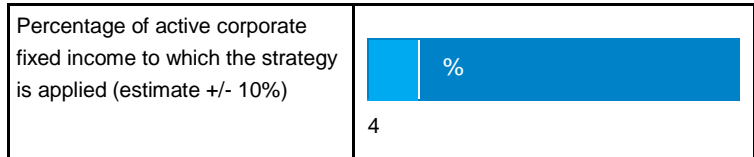
FI 04	Mandatory	Gateway/Core Assessed	PRI 1
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FI 04.1

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.

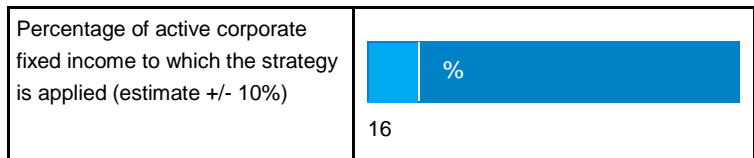
ESG incorporation strategy (select all that apply)

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

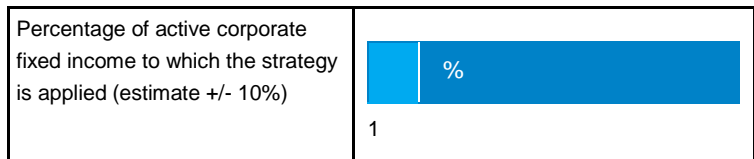


☐ Thematic alone (i.e. not combined with any other strategies)

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

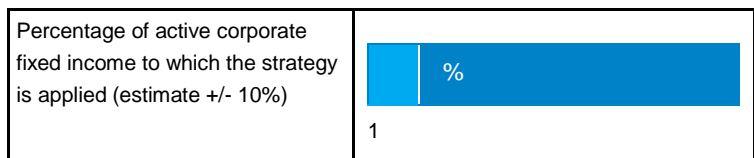


☒ Screening + Integration strategies



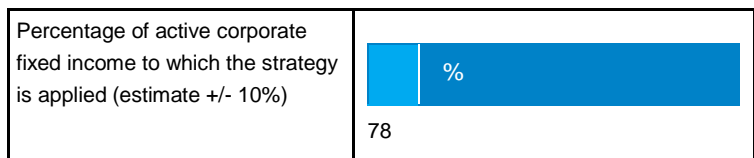
☐ Thematic + integration strategies

☒ Screening + thematic strategies



☐ All three strategies combined

☒ No incorporation strategies applied



Total actively managed fixed income - corporate

100%

FI 04.2

Describe your primary reasons for choosing a particular incorporation strategy.

The figures reflect the different funds and approaches taken by RLAM and TCAM during most of 2013. As such, the figures do not reflect one strategy.

In the case of RLAM, its Ethical Bond Fund employs 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.

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. RLAM believes this also gives it powers closer to the equity investor in that these securities are more reliant on RLAM's support as a lender, rather than a trader.

In TCAM's case, a number of different strategies were applied either in combination or in isolation during 2013. 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.

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.

With respect to the rest of TCAM's corporate fixed interest holdings, a moderate level of integration of ESG factors applies. ESG analysts sit in weekly credit meetings held with RLAM and TCAM. TCAM holdings are reviewed periodically for tail risks, e.g. in the utilities and oil and gas sectors and TCAM sat on the steering committee of the UN PRI Fixed Income workstream.

In April 2014 the advisory committee of the combined RLAM/TCAM business will consider a report prepared by the ESG team on developments in SRI/ESG in fixed income and what competitors are doing. This is one stage in a project to create a coherent and distinctive ESG strategy for all our fixed income assets and to ensure we capitalise in this area.

FI 04.3

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.

FI 05

Voluntary

Additional Assessed

PRI 1

FI 05.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

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

Describe who provides this information.

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
- ☐ Issue-specific analysis or ratings
- ☐ Other, specify

FI 05.2

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. We are considering purchasing products built specifically around fixed interest securities as part of our review of our strategy to ESG in fixed income. 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 per se.

FI 05.3

Additional information. [Optional]

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.

(A) Implementation: Screening

FI 06**Mandatory****Descriptive****PRI 1****FI 06.1**

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

Description

During 2013, The Co-operative Asset Management 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:

<https://www.co-operativebank.co.uk/aboutus/ourbusiness/ethicalpolicy>

The policy is extremely wide ranging and was the first such policy ever to be created by a Bank.

In respect of TCAM'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 negative screen similar to TCAM's 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

	Description
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For the TCAM Sustainable range of funds, greater emphasis is placed on securities whose underlying activity addresses 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 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

FI 06.2	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.
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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 and TCAM's Ethical and 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 2009 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.

FI 07	Mandatory	Core Assessed	PRI 1
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FI 07.1

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

FI 07.2

Additional information. [Optional]

The process which was described for equities applies also in respect of TCAM'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**Voluntary****Additional Assessed****PRI 1****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.
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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.
- 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.

(B) Implementation: Sustainability themed investing

FI 09	Voluntary	Descriptive	PRI 1
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FI 09.1	Indicate the type of sustainability themed funds or mandates your organisation manages.
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- ☒ Environmentally themed funds
- ☐ Socially themed funds
- ☒ Combination of themes

FI 09.2

Describe your organisation's processes for sustainability themed funds.

Referring to the CIS Sustainable Trusts, which include two fixed income and one mixed asset 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 haven't 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**FI 10****Voluntary****Descriptive****PRI 1****FI 10.1**

Describe how you integrate ESG issues into investment decision-making processes.

With respect to the rest of TCAM's corporate fixed interest holdings, a basic level of integration of ESG factors applies. ESG analysts sit in weekly credit meetings. Holdings are reviewed periodically for tail risks, e.g. in the utilities and oil and gas sectors and TCAM sat on the steering committee of the UN PRI Fixed Income workstream. The ESG team produces analysis and reports periodically on macro themes and how they may affect different asset classes. The process is not systematic however, and consequently, there is no system in place to measure the impact of integration, not counting the detailed rules and processes we have developed for our screened funds.

RLAM (ex. TCAM) has a more integrated approach in Fixed Interest in one respect, in that 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.

FI 11**Mandatory****Core Assessed****PRI 1****FI 11.1**

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

FI 11.2

Additional information. [Optional]

'Occasionally' is the most apt of the environmental and social categories to describe the combined business' approach to integrating ES into our active but not screened fixed income strategies. As regards governance, 'systematically' is a more appropriate descriptor as RLAM now manages the overwhelming majority of non-screened Fixed Income in the combined business and, irrespective of any formal screens or lack of them, 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 analysts also sit in weekly credit meetings. Holdings are reviewed periodically for tail risks, e.g. in the utilities and oil and gas sectors and TCAM sat on the steering committee of the UN PRI Fixed Income workstream.

We are increasingly buyers in the green bond market as liquidity, rates and credit quality are now much improved e.g. we bought the EDF green bond in 2013.

In April 2014 the advisory committee of the combined RLAM/TCAM business will consider a report prepared by us on developments in SRI/ESG in fixed income and what our competitors are doing, as part of a project to create a coherent and distinctive ESG strategy for all our fixed income assets and to ensure we capitalise in this area.

FI 12	Voluntary	Descriptive	PRI 1
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FI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ 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
- ☐ None of the above

FI 12.2	Describe how ESG information is held and used by your portfolio managers.
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- ☒ 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

FI 12.3	Additional information.
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The above refers primarily to our screened funds and mandates.

Outputs and outcomes

FI 15	Voluntary	Descriptive	PRI 1
FI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.		

Fixed Income - Corporate

- ☒ Narrow down or prioritise the investment universe
- ☐ Buy / sell / weight decisions
- ☐ Other, specify

FI 15.2

Additional information.

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.

Communication

FI 18

Mandatory

Core Assessed

PRI 2,6

FI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.

☒ We disclose it publicly

Provide URL

<http://www.rlam.co.uk/Documents-RLAM/Literature/Review%20of%20Sustainable%20Investing.pdf>

Provide URL

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

FI 18.2

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

☐ Yes

☒ No

FI 18.3

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

Reporting to public

☒ Broad approach to ESG incorporation
☐ Detailed explanation of ESG incorporation strategy used

Reporting to clients/beneficiaries

☐ Broad approach to ESG incorporation
☒ Detailed explanation of ESG incorporation strategy used

FI 18.4

Indicate how frequently you typically report this information.

Reporting to public	Reporting to clients/beneficiaries
<input type="radio"/> Quarterly or more frequently <input checked="" type="radio"/> Between quarterly and annually <input type="radio"/> Less frequently than annually <input type="radio"/> Other, specify	<input type="radio"/> Quarterly or more frequently <input checked="" type="radio"/> Between quarterly and annually <input type="radio"/> Less frequently than annually <input type="radio"/> Other, specify

☐ We disclose it to clients/beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries

FI 18.5	Additional information. [Optional]
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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.

Engagement in fixed income investments

Fixed Income - Corporate

FI 19	Voluntary	Descriptive	PRI 2
FI 19.1	Indicate if you engage with corporate issuers.		

☒ Yes

TCAM's approach to selecting and conducting engagement in corporate fixed income is described on apages 55-56 of its last Annual Review of Responsible Investment:

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

Since then, our engagement has increased with fixed income issuers; typically as a result of the screening process for our new Sustainable bond funds. This is usually the case where 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 "if you don't ask, you don't get." 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.

☐ 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 02	Mandatory to Report Voluntary to Disclose	Peering	General
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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	Voluntary	Descriptive	PRI 1-6
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PE 03.1 Provide a brief overview of your organisation's approach to responsible investment in private equity.

Prior to RLAM's acquisition of TCAM, RLAM did not have a private equity investment function whereas TCAM had a small allocation to the asset class. Therefore, all comments relate to TCAM's private equity activities in 2013. 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/

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.

PE 04	Mandatory	Core Assessed	PRI 2
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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
- ☐ Our investment guidelines do not refer to responsible investment
- ☒ We do not have investment guidelines

PE 04.3

Additional information. [Optional]

RLAM, prior to acquiring TCAM had no private equity function and in TCAM's case, it represents a few per cent of its AUM. TCAM was also small business of around 55 people, in 2013. For these reasons, there are no formal private equity guidelines, though there is a standard format for all proposals which does include an ESG section that has to be signed off by the Head of Responsible Investment.

Fundraising of private equity funds

PE 05

Mandatory

Core Assessed

PRI
1,4,6**PE 05.1**

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

☒ Yes

PE 05.2

Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:

- ☒ Policy and commitment to responsible investment
 - ☒ Always
 - ☐ In a majority of cases
 - ☐ In a minority of cases
- ☒ Approach to ESG issues in pre-investment processes
 - ☒ Always
 - ☐ In a majority of cases
 - ☐ In a minority of cases
- ☒ Approach to ESG issues in post-investment processes
 - ☐ Always
 - ☒ In a majority of cases
 - ☐ In a minority of cases

PE 05.3

Describe how your organisation refers to responsible investment in fund placement documents (PPMs or similar). [Optional]

There is a standard format for all proposals which does include an ESG section that has to be signed off by the Head of Responsible Investment.

Examples of our integration of ESG into private equity can be found on pages 57-58 of our Annual Review and we will publish a further update in 2014:

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

☐ No

PE 06	Voluntary	Additional Assessed	PRI 4
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PE 06.1

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.

- ☒ We always make formal commitments to responsible investment in fund formation contracts, LPAs or side letters
- ☐ In a majority of cases we make formal commitments to responsible investment in fund formation contracts, LPAs or side letters
- ☐ In a minority of cases we make formal commitments to responsible investment in fund formation contracts, LPAs or side letters
- ☐ We do not make formal commitments 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 private equity

PE 06.2

Additional information.

This is the case as of approximately 2010. It applies also to existing relationships where contracts come up for renewal.

Pre-investment (selection)

PE 07	Mandatory	Gateway	PRI 1
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PE 07.1

Indicate if your organisation typically incorporates ESG issues when selecting private equity investments.

☒ Yes

PE 07.2

Describe your organisation's approach to incorporating ESG issues in private equity investment selection. [Optional]

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.

☐ No

PE 08	Voluntary	Descriptive	PRI 1
PE 08.1	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.		
<input checked="" type="checkbox"/> Internal staff			
<div>Specify role</div> <div>The Head of RI</div>			
<div>Specify role</div> <div>Other ESG staff where required.</div>			
<input checked="" type="checkbox"/> External resources			
<input type="checkbox"/> Environmental advisors <input type="checkbox"/> Social advisors <input type="checkbox"/> Corporate governance advisors <input type="checkbox"/> Regulatory and/or legal advisors <input checked="" type="checkbox"/> Other, specify type of advisors/roles			
<div>We use RepRisk as part of our due diligence on PE investments as it also covers private companies.</div>			
<input type="checkbox"/> No use of internal or external advice on ESG issues			
PE 09	Mandatory	Core Assessed	PRI 1,3

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

Greenhouse gas reductions

Waste diverted from landfill

Certification attained for environmental management systems such as ISO14001 and green building certification like BREEAM.

☒ Social

List up to three typical examples of social issues

We always consider labour relations and how the GP is handling this as this is frequently a source of tension when private equity companies take over.

Long-term Injury Frequency Rates/Total Recordable Injury Frequency Rates are looked for, how they compare to plc equivalents and how they are trending.

☒ Governance

List up to three typical examples of governance issues

There are often key personnel changes at the boards of companies that are bought by GPs, often linked to the buy-out strategy.

We consider what systems the GP and portfolio company have to identify, monitor and take preventative and corrective action on issues like bribery & corruption.

PE 09.2

Additional information. [Optional]

Actual examples of co-investments we have made and discussions we have had with GPs are described on pages 56-57 of our Annual Review:

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

PE 10

Voluntary

Additional Assessed

PRI 1,3

PE 10.1	Indicate what type of ESG information your organisation typically considers during your private equity investment selection process.
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- ☒ 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

PE 10.2	Additional information.
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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.

PE 11	Voluntary	Additional Assessed	PRI 1,2
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PE 11.1	During deal structuring, indicate if your organisation typically encourages continuous improvements from potential investees with regard to their management of ESG issues.
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☒ Yes

PE 11.2	Describe the nature of these improvements and their ESG coverage.
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The great majority of our PE investment is carried out as co-investment. There is usually a short but critical window of opportunity to conduct our DD and ask for any improvements or targets we think are necessary or desirable before agreeing to co-invest. They may relate to e.g. companies joining an environmental best practice group run by the GP for portfolio companies or being screened for human rights risk in the supply chain. These, or a version of them, in agreement with the GP, will be included in the 100 day plan. These priorities and targets then form the basis of half-yearly reporting from the GP to us.

We also have several sizeable investments in environmental funds and social impact funds that measure the environmental and social impact of their investments, to recognised standards.

☐ No

PE 12	Voluntary	Additional Assessed	PRI 1
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PE 12.1	Indicate if ESG issues impacted your private equity investment selection processes during the reporting year.
---------	---

- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☒ ESG issues led to the abandonment of potential investments
- ☐ ESG issues impacted the investment in terms of price offered and/or paid
- ☒ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☐ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

PE 12.2	Additional information.
---------	-------------------------

We have turned away co-investment opportunities in 2013 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.

Post-investment (monitoring and active ownership)

PE 13	Mandatory	Gateway/Core Assessed	PRI 2
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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.
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- ☒ >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.
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ESG issues

☒ Environmental

List up to three example targets of environmental issues

PuE and WuE ratios in an investment in a data-centre dependent business we invested in.

Greenhouse gas emissions reductions in a supplier to the pharmaceutical industry.

Calculating the energy savings accurately from a business that makes compressors and related industrial machinery.

☒ Social

List up to three example targets of social issues

Effective management of labour relations and protection of collective bargaining.

Governance of personally identifiable data in two insurance intermediary business.

Track record in avoiding censure and negative publicity in the loan recovery business.

☒ Governance

List up to three example targets of governance issues

Conflicts of Interest Policy at a Contract Research Organisation.

The take-up of shares by medical consultants in a business and any conflicts of interest this might have presented.

Ensure that prior founder-owners that sell the business to them and stay on in some capacity respect the GP's governance and strategy

☐ We do not set and/or monitor against targets

☐ No

PE 14	Mandatory	Core Assessed	PRI 2
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PE 14.1

Indicate if your organisation tracks the proportion of your portfolio companies that have an ESG/sustainability-related policy (or similar guidelines).

☒ Yes

PE 14.2

Indicate what percentage of your portfolio companies has an ESG/sustainability policy (or similar guidelines).

- ☒ >90% of portfolio companies
- ☐ 51-90% of portfolio companies
- ☐ 10-50% of portfolio companies
- ☐ <10% of portfolio companies
- ☐ 0% of portfolio companies

(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****PE 15.1**

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.

Types of actions taken by portfolio companies

- ☒ Allocate responsibility for ESG issues to board/senior management

Implemented by percentage of portfolio companies

- ☐ >90% of portfolio companies
☒ 51-90% of portfolio companies
☐ 10-50% of portfolio companies
☐ <10% of portfolio companies
☐ We do not track this information

(in terms of total number of portfolio companies)

- ☐ Composition of board ensure ESG expertise
☒ Consider ESG issues in risk management processes

Implemented by percentage of portfolio companies

- ☒ >90% of portfolio companies
☐ 51-90% of portfolio companies
☐ 10-50% of portfolio companies
☐ <10% of portfolio companies
☐ We do not track this information

(in terms of total number of portfolio companies)

- ☒ Define performance targets for applicable ESG issues in operations

Implemented by percentage of portfolio companies

- ☐ >90% of portfolio companies
- ☒ 51-90% of portfolio companies
- ☐ 10-50% of portfolio companies
- ☐ <10% of portfolio companies
- ☐ We do not track this information

(in terms of total number of portfolio companies)

- ☐ Define when engagements with stakeholders should be carried out to discuss ESG issues
- ☐ Other actions, specify

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
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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
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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.
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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.

Outputs and outcomes

PE 18	Voluntary	Additional Assessed	PRI 1,2
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PE 18.1	Indicate whether your organisation measures how your approach to ESG issues in private equity investments has affected financial and/or ESG performance.
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	Financial performance
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- ☒ We measure how ESG issues affect financial performance

PE 18.2	Describe the measures your organisation uses to assess the impact of your approach to ESG issues on your private equity investments' financial performance.
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As mentioned, our largest allocation to PE is through our co-investment agreement with KKR.

The financial impact of their ESG policies is measured typically through their innovative Green Portfolio Program, which measures a range of environmental indicators in companies participating in the programme, and has built up four years of data on the \$ value of savings as a result of e.g. energy saved, waste diverted to landfill, carbon credits etc. Not all our co-investments participate in the programme, but those which have more than a minimal environmental impact do, as a rule, participate. Therefore, the financial effect of ESG issues for our portfolio companies is substantially tracked.

With regards to our other PE investments, we have several sizeable investments in environmental funds and social impact funds that measure the environmental and social impact of their investments, to recognised standards. The financial impact (e.g. energy cost/C02 reduction) is reported according to the GP's own standards.

- ☐ We do not measure how ESG issues affect financial performance

	ESG performance
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- ☒ We measure changes in ESG performance

PE 18.3	Describe the measures your organisation uses to assess the impact of your activities on your private equity investments' ESG performance.
----------------	---

As already mentioned, we receive reports twice a year on all our co-investments (or at the earliest, six months after we made the investment). We assess progress against KPIs as well as monitor our news sources to be aware of any untoward publicity. Where there are marked deteriorations or failure to meet targets, these are picked up in review meetings with the GP and any corrective actions are agreed. However, this is a GP-led process and must be: RLAM does not sell its own private equity services or funds.

- ☐ We do not measure changes in ESG performance

Communication

PE 20	Mandatory	Core Assessed	PRI 6
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PE 20.1	Indicate whether your organisation proactively discloses ESG information on your private equity investments.
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- ☒ Disclose publicly

	provide URL
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<http://www.rlam.co.uk/PageFiles/8514/TCAM%20Responsible%20Investment%20Annual%20Review%202011-12%20-%20FINAL%20-%20Hi%20Res.pdf>

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.
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- ☒ Yes

PE 20.3	Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients (LPs)/beneficiaries.
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- ☒ 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
20.5**

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 annually because in this asset class are not large or complex enough to warrant reporting more frequently.

☐ No

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

PE 20.6

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.

Royal London Asset Management

Reported Information

Public version

Direct - Property

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 02

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 02.1

Provide a breakdown of your organisation's property assets based on who manages the assets.

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed via third-party property managers appointed by you	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
Total	100%

PR 02.2

Additional information. [Optional]

RLAM manages the Royal London Property Fund internally with a dedicated team of specialists. It appoints Capita to act as the Estate Manager.

TCAM has appointed AXA REIM to manage the property portfolio. AXA has appointed Capita to act as the Estate Manager.

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. TCAM also sets out policies and requirements regarding sustainability and ESG for its investment manager, AXA. Each year, both RLAM and TCAM set out key ESG targets and work with our 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]

<http://www.rlam.co.uk/Documents-RLAM/Property/Sustainability%20policy%202013.pdf>

☐ No

PR 05.3

Additional information. [Optional]

The Royal London Property Fund, managed by RLAM internally, has a Sustainability Policy and sets out sustainable property management targets each year.

TCAM has similar policies and requirements with regard to environmental and social issues, and outsources the management of those issues to the property manager, AXA REIM.

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

PR 06.2

Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:

- ☒ Policy and commitment to responsible investment
 - ☐ Always
 - ☒ In a majority of cases
 - ☐ In a minority of cases
- ☒ Approach to ESG issues in pre-investment processes
 - ☒ Always
 - ☐ In a majority of cases
 - ☐ In a minority of cases
- ☒ Approach to ESG issues in post-investment processes
 - ☒ Always
 - ☐ In a majority of cases
 - ☐ In a minority of cases

☐ No

PR 07**Voluntary****Additional Assessed****PRI 4****PR 07.1**

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.

- ☐ 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

Pre-investment (selection)**PR 08****Mandatory****Gateway****PRI 1****PR 08.1**

Indicate if your organisation typically incorporates ESG issues when selecting property investments.

☒ 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

PR 09**Voluntary****Descriptive****PRI 1,4****PR 09.1**

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.

☒ Internal staff

☒ Specify role

RLAM Responsible Investment Analysts

☒ Specify role

RLAM Property Portfolio 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

☐ No use of internal or external advice on ESG issues

PR 10**Mandatory****Core Assessed****PRI 1,3****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

List up to three typical examples of social issues

Tenant type and demography
Support for charitable and local causes
Disability access and health and safety

☐ Governance

PR 11	Voluntary	Additional Assessed	PRI 1,3
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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.

Our asset managers regularly monitor these issues when selecting investments.

PR 12	Voluntary	Additional Assessed	PRI 1
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PR 12.1 Indicate if ESG issues impacted your property investment selection process during the reporting year.

- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☒ ESG issues led to the abandonment of potential investments
- ☒ ESG issues impacted the investment in terms of price offered and/or paid
- ☒ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☐ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

Selection, appointment and monitoring third-party property managers

PR 13	Mandatory	Core Assessed	PRI 4
-------	-----------	---------------	-------

PR 13.1

Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.

☒ Yes

PR 13.2

Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.

- ☒ Selection process of property managers incorporated ESG issues
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Contractual requirements when appointing property managers includes ESG issues
 - ☐ For all third party property managers
 - ☒ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Monitoring of property managers covers ESG responsibilities and implementation
 - ☐ For all third party property managers
 - ☒ For a majority of property managers
 - ☐ For a minority of property managers

PR 13.3

Provide a brief description of your organisation's selection, appointment and monitoring of third party property managers. [Optional]

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, 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.

PR 13.4

Describe how your third party property managers contribute to the management of ESG issues for your property investments. [Optional]

Capita implements our sustainability and responsible investing practices within our property portfolios. They report to us regularly on the progress achieved at each of our properties on criteria we set, such as water, waste, CO2, community involvement and tenant engagement.

☐ No

Post-investment (monitoring and active ownership)

Overview

PR 14	Mandatory	Gateway	PRI 2
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PR 14.1	Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.
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☒ 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 is undertaken by AXA and Capita on behalf of TCAM. Post-investment monitoring for RLAM is conducted by Capita. Refurbishments and construction projects will also include ESG targets and monitoring.

☐ No

Property monitoring and management

PR 15	Mandatory	Core Assessed	PRI 2,3
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PR 15.1	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)

PR 15.2	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 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

☐ We do not set and/or monitor against targets

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]
----------------	------------------------------------

For TCAM, AXA ensures that newly built properties have an environmental certification (BREEAM, LEED, HQE, DGNB, Minergie), 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
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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.
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- ☐ >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 practises 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

Tenant meetings, energy awareness campaigns

Community engagement

PR 20	Voluntary	Additional Assessed	PRI 2
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PR 20.1	Indicate in respect of what proportion of property assets your organisation, and/or your property managers, engaged with the community on ESG issues 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)

PR 20.2	Indicate if the following areas and activities are typically part of your, and/or your property managers', community engagement.
----------------	--

- ☐ ESG education programmes for the community
☐ ESG enhancement programmes for public spaces
☐ Research and networking activities focusing on ESG issues
☐ Employment creation in communities
☒ Supporting charities and community groups
☐ Other, specify

Outputs and outcomes

PR 21	Voluntary	Additional Assessed	PRI 1,2
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PR 21.1	Indicate whether your organisation measures how your approach to ESG issues in property investments has affected financial and/or ESG performance.
----------------	--

	Financial performance
--	-----------------------

- ☒ We measure how ESG issues affect financial performance

PR 21.2	Describe the measures your organisation uses to assess the impact of your approach to ESG issues on your property investments' financial performance.
----------------	---

On behalf of TCAM, AXA measures the following: reduced operating expenses, improved net operating income (NOI), retention of existing tenants, attracted new tenants, estimated rental value, capitalized value and improved investment liquidity.

- ☐ We do not measure how ESG issues affect financial performance

	ESG performance
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- ☒ We measure changes in ESG performance

PR 21.3

Describe the measures your organisation uses to assess the impact of your activities on your property investments' ESG performance.

On behalf of RLAM and TCAM, AXA measures energy efficiency improvements, reduction of waste, improvement in EPC rating , improvement in occupancy ratio in assets with voids

☐ We do not measure changes in ESG performance

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

ESG issue	Energy Management
Types of properties affected	Commercial offices
Impact (or potential impact) on investment	Operational costs and environmental impact.
Activities undertaken to influence the investment and the outcomes	Upgrades to common area lighting with replacement of toilet switches to PIRS and installation of LED lamps to further reduce energy use.

☒ Add Example 2

ESG issue	Green travel
Types of properties affected	Commercial offices
Impact (or potential impact) on investment	Environmental impact, community services.
Activities undertaken to influence the investment and the outcomes	Installation of secure cycle compounds to encourage more use of environmentally friendly travel options.

☒ Add Example 3

ESG issue	Water management.
Types of properties affected	Commercial offices.
Impact (or potential impact) on investment	Operational costs and environmental impact.
Activities undertaken to influence the investment and the outcomes	When undertaking a refurbishment, urinals and wash hand basins were installed on sensors to reduce water use.

☒ Add Example 4

ESG issue	Waste
Types of properties affected	Multi-let offices.
Impact (or potential impact) on investment	Cost of landfill.
Activities undertaken to influence the investment and the outcomes	New software installed to monitor waste and highlight opportunities for reductions.

☐ Add Example 5

Communication

PR 23

Mandatory

Core Assessed

PRI 6

PR 23.1

Indicate if your organisation proactively discloses ESG information on your property investments.

☒ Disclose publicly

provide URL

<http://www.rlam.co.uk/Products/Property/Sustainable-investment/>

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

☐ 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
☒ No

PR 23.4

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

Public	Clients/beneficiaries
<input type="checkbox"/> ESG information on how you select property investments	<input checked="" type="checkbox"/> ESG information on how you select property investments
<input checked="" type="checkbox"/> ESG information on how you monitor and manage property investments	<input type="checkbox"/> ESG information on how you monitor and manage property investments
<input checked="" type="checkbox"/> Information on your property investments' ESG performance	<input type="checkbox"/> Information on your property investments' ESG performance
<input type="checkbox"/> Other, specify	<input type="checkbox"/> Other, specify

PR 23.5

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

Public	Clients/beneficiaries
<input type="radio"/> Quarterly or more frequently	<input type="radio"/> Quarterly or more frequently
<input type="radio"/> Semi annually	<input type="radio"/> Semi annually
<input checked="" type="radio"/> Annually	<input checked="" type="radio"/> Annually
<input type="radio"/> Every two years or less frequently	<input type="radio"/> Every two years or less frequently
<input type="radio"/> Ad-hoc, specify	<input type="radio"/> Ad-hoc, specify

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