



Our climate change  
**commitments**

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## Our position on climate change

We acknowledge that we have a part to play in addressing climate change, and to help lessen its impact on our customers and members.

We recognise that climate change will have a long term impact on our environment, global financial markets and local communities. In 2015, the signing of the Paris Agreement was a significant milestone towards limiting temperature rise to 2°C above pre industrial levels, and pursuing efforts to limit the temperature increase to 1.5°C.

This framework is our response to the risks and opportunities arising from both the physical and transitional impacts of climate change, and of course, it's underpinned by our duty and desire to do what's right in the long term interests of our customers.

## Purpose of this policy

As a mutual, we take the long-term view when looking at what's best for our investments, business, customers, members and society as a whole. We have a legal duty to act in the best interest of our customers, which is why we've developed our own climate change action plan.

This Climate Change Framework ('Framework') sets out our position, strategy and governance in relation to climate change for Royal London and Royal London Asset Management (RLAM). Compliance with this document will help us meet the requirements of the Taskforce on Climate-related Financial Disclosures (TCFD).

## Our climate change strategy

Recognising that climate change is an issue that can impact all areas of our business, our strategy covers the aspects we believe are affected by climate change - our investment

activities, our own operations, our approach to risk management, and our commitment to being open with our stakeholders.

### In our response to climate change, we've made the following five commitments:



#### Climate risk policy

We'll require our asset managers to develop and implement a climate risk policy.



#### Low carbon economy

We'll advocate and promote the transition to a low carbon economy with industry, policymakers and other influential stakeholders.



#### Managing risk

We'll consider climate change risk within our risk management framework and business planning.



#### Reduce our carbon footprint

We'll consider climate change risks and opportunities in our own operations.



#### Keeping you up to date

We'll report on our progress against this strategy in our annual report and on our website at least once a year, in line with recommendations from the TCFD.

## Our five climate change commitments

### ● We will require our asset managers to develop and implement a climate risk policy.

As part of our commitment we will:

- a Require our asset managers to develop a climate risk policy, put it into practice, and disclose it to us. If their policy is not in line with our own Climate Change Framework, we'll engage with them to understand the gaps, and see how they can bring it more in line. If appropriate, we may decide to review the relationship altogether.
- b Require our asset managers to exercise their voting rights on all eligible investments, and make sure their voting takes into consideration the principles of our Climate Change Framework. We expect our asset managers to disclose their voting and engagement policy as well as their voting records relating to climate change matters.
- c Require our asset managers to set clear investor engagement priorities on climate change, taking into consideration their level of influence (the size of their investments), and the materiality of climate change to company risk and performance.
- d Require asset managers to demonstrate a divestment process, including the criteria they'd use to trigger a divestment of holdings if the climate change associated risk can no longer be justified, and engagement activity has been exhausted.

More information on our approach to active ownership and divestment can be found in our [Responsible Investment](#) policy.





**2 We will advocate and promote the transition to a low carbon economy with industry, policymakers and other influential stakeholders.**

We support industry and regulatory initiatives to make pensions, the insurance industry, and financial markets overall more sustainable and resilient to climate change risks.

We also actively encourage wider initiatives that aim to lessen the negative impacts of climate change on the environment.

We believe that strong policy action is necessary to achieve the targets of the Paris Agreement, and to make sure financial markets are adequately prepared to address the risks presented by climate change.

As such, we welcome recent voluntary initiatives such as the TCFD recommendations and policy consultations that aim to strengthen climate risk management and disclosure.

As part of our commitment we will:

- a** Use our position as an influential investor to promote the low carbon transition by supporting sector initiatives, and engaging with industry, government, investors, suppliers and customers.
- b** Respond to industry consultations on climate change, back market reform, and support the development of guidance and standards that promote the transition to a low carbon economy.

### 3 We will consider climate change risk within our risk management framework and business planning.

The Prudential Regulatory Authority (PRA) has identified climate change as a financial risk that's as relevant today as it will be in the years to come.

As a long-term investor, we recognise the complex risks that climate change poses and the possible impact these could have on financial returns to our customers and members.

This requires us to have a strategic approach to these risks through our existing risk management framework.

We acknowledge that the risks arising from climate change include:

- **Physical risks.** This refers to risks that could arise as a result of weather-related incidents, such as heatwaves, droughts, floods, storms, and rising sea levels. These climate-related events could result in the weakening of the asset values of our investee companies, as well as the impairment of Royal London's own physical assets.
- **Transition risks.** This refers to risks that may arise as a result of transitioning to a low-carbon economy. These may include stranded assets, business model disruption, policy changes or reputational impact. They could affect the overall economic environment and create a variety of market, regulatory and insurance risks and result in the weakening of asset values of our investee companies.

Given the long-term nature of climate change risks as highlighted by the PRA and other stakeholders, we acknowledge that we need a strategic approach to these for the short, medium and long term.

As part of our commitment, we will:

- a Develop our understanding of how climate change risks could impact our business model, customers, and members.
- b Consider the materiality of financial risks from climate change within our existing risk management framework, including on our own risk and solvency assessment (ORSA).
- c Measure the carbon footprint of our investment portfolios to assess our potential exposure to climate risks, and review our performance regularly. We'll use this to inform scenario analysis. We'll initially roll out a pilot on our equity funds, with the objective of measuring the carbon footprint of our complete portfolio in the future.

**4 We will consider climate change risks and opportunities in our own operations.**

It's important to us that we look for ways to make our own business more efficient, so that we can reduce our own environmental footprint.

We're always looking for ways to measure and reduce our own direct impact on the environment, by lowering our contribution to greenhouse gas and other harmful emissions. For example, we're working to achieve standards set by BREEAM, the world's first sustainability assessment method for buildings, among other initiatives.

As part of our ongoing commitment to fighting climate change, we're creating an Environmental Improvement Plan that will set environmental targets across our offices and operations in relation to energy efficiency and carbon emissions.

Some of these include:

- Achieving a [BREEAM](#) Certification of Very Good or above for any new offices
- Reducing energy usage and carbon emissions in our current buildings per head
- Setting targets for reducing waste per head
- Continuing to send no office waste to landfill
- Improving the way we separate waste to increase our recycling





## 5 We will report on our progress against this Framework on a yearly basis.



We currently communicate updates on our responsible investment activities, including our approach to climate change risk, through our annual reporting to our Board and members.

We're committed to being clear and open about our approach to managing climate change risks and our progress against our strategy, and so as part of our commitment we will:

- a Include updates on our progress against this Framework in our annual report, and on our website at least once a year, following the approach recommended by TCFD.
- b Develop quantitative metrics and targets in relation to each of our five commitments to help us measure and articulate our position on climate change effectively.

## Framework governance

Ultimately, it's the responsibility of the Board to consider climate change risks and opportunities across Royal London.

Mandated sub-committees report into the Board to ensure they have a clear overview and understanding of how climate change could impact our strategy and risk management framework.

With support from our risk and investment experts, the Group

Finance Director is responsible for reviewing this Climate Change Framework on a yearly basis, making sure the Board and sub-committees are provided with accurate and relevant information that enables them to assess and monitor climate risks.

Our Risk Committee will be responsible for embedding climate risk in Royal London's wider risk framework.



## Useful links

- [Our responsible investment policy](#)
- [Taskforce on Climate-related Financial Disclosures \(TCFD\)](#)
- [BREEAM](#)
- [The Paris Agreement](#)
- [Royal London Asset Management \(RLAM\)](#)



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