



Stewardship Report 2024

The Royal London Mutual Insurance Society

Asset owner approach to meeting the UK Stewardship Code 2020 requirements. This report was submitted to the Financial Reporting Council in October 2025.

Contents

1	Foreword
2	Introduction
3	Principle 1 – Purpose, strategy and culture
7	Principle 2 – Governance, resources and incentives
11	Principle 3 – Conflicts of interest
13	Principle 4 – Promoting well-functioning markets
18	Principle 5 – Review and assurance
20	Principle 6 – Client and beneficiary needs
25	Principle 7 – Stewardship, investment and ESG integration
30	Principle 8 – Monitoring managers and service providers
34	Principle 9 – Engagement
37	Principle 10 – Collaboration
38	Principle 11 – Escalation
41	Principle 12 – Exercising rights and responsibilities
44	Looking ahead
45	Glossary



Foreword



Barry O'Dwyer

Group Chief Executive Officer

Our Purpose – *Protecting today, investing in tomorrow. Together we are mutually responsible.* – shapes how we focus on growing our business sustainably, while deepening relationships with our customers.

Our stewardship focus in 2024

As well as supporting customers to build their financial resilience, our Purpose ensures we are focused on playing our part in moving fairly to a sustainable world. Investing responsibly is central to this. Effective stewardship of our customers' investments, and constructive engagement with the companies in which we invest on their behalf, helps us to deliver long-term investment returns while influencing change for the benefit of wider society.

Responding to the needs of our customers is important to us. The research studies we carry out provide us with insights into the views of these important stakeholders on a range of topics, and help deepen our understanding of their preferences towards responsible investment themes.

In the past year Royal London has enhanced its Responsible Investment and Stewardship Policy, which describes the standards to which we hold ourselves and our asset managers. This unites Royal London's responsible investment and stewardship policies and frameworks into a single, Group-wide

approach. We remain focused on strengthening stewardship-related activity across the Group – including training to help embed skills and knowledge among colleagues, and ensuring that our policy framework continues to align to regulatory and industry expectations.

Our stewardship and engagement activities primarily centre on two priority issues: climate change and inclusion, with a specific focus on a just transition.¹ We actively use the rights we gain from holding shares in companies to influence change aligned with these themes. Our Asset Management business undertakes engagement activity on behalf of the Group, and of the 724 engagements we completed in 2024, 301 were related to climate change or a just transition.

There have been significant shifts in the political landscape surrounding net zero commitments during 2024 and 2025, with growing eco-scepticism among some politicians. As a result, some companies have been signalling a dilution of their climate commitments. We continue to believe that companies which have a long-term strategic approach to managing climate risks and opportunities will be successful, and we expect the companies we invest in to have a credible transition plan. We view engagement – which is a key pillar of our Net Zero Stewardship Programme – as an important tool for encouraging them to do this.

We also believe financial institutions cannot deliver on their climate ambitions without clear leadership from policymakers. We have continued our constructive dialogue on climate with policymakers and industry bodies, to play our part in supporting a fair transition to a low-carbon economy in a way that considers the impact on society.

Looking ahead

We welcome steps to improve transparency across our industry, including changes to the Financial Reporting Council's (FRC) UK Stewardship Code 2020. Over the last year, we provided input to the FRC to help shape revisions to the Code, and in 2025 we will progress work to align with the updated guidance. We will also continue to develop our own approach to responsible investment and stewardship, responding to emerging trends and industry good practice. We look forward to playing our part in driving better stewardship outcomes for the benefit of our customers.

Barry O'Dwyer

Group Chief Executive Officer

“We continue to believe that companies which have a long-term strategic approach to managing climate risks and opportunities will be successful.”

1. A just transition is one where both the social and environmental implications of moving fairly to a low-carbon economy are considered.

Introduction

About Us

The Royal London Mutual Insurance Society Limited (RLMIS) is part of the Royal London Group (also referred to as ‘Royal London’ or the ‘Group’). At Royal London, we offer protection, long-term savings and retirement solutions for customers in the UK and Ireland, and asset management solutions for clients around the world.

We are proud to be customer-owned. Being a mutual allows us to focus on the long term for the benefit of our customers and their families, without the shareholder pressures faced by many other financial services providers. Today, Royal London is the UK’s largest mutual life, pensions and investment company.¹

RLMIS manages more than 8.7 million long-term savings, later life and protection policies and has £127bn assets under management (AUM),² as at 31 December 2024. More than 95% of RLMIS’ assets are managed by our Asset Management business, Royal London Asset Management (RLAM), which is managed separately and overseen by the RLAM Limited Board. Due to the significant role of RLAM in managing our assets, this Stewardship Report frequently focuses on its activities. The remaining approximately 5% of RLMIS’ assets are managed by 28 external asset managers, seven of which are ‘key’ asset managers holding over £100m each on our behalf.

We monitor our asset managers in line with the arrangements described under [Principle 2 \(Governance, resources and incentives\)](#) and [Principle 8 \(Monitoring managers and service providers\)](#).

1. Based on total 2022 premium income. ICMI Global 500, 2024.
2. Represents the overall amount of the Group’s investments excluding assets managed on behalf of third parties. The disclosure includes assets managed by external asset managers (<5% total AUM), assets of the Group’s pension schemes (<2%) and assets controlled by RLI DAC (<1%).

Our Asset Management business also describes its stewardship activity separately within its [Stewardship and Responsible Investment Report 2024](#).

About this report

This report sets out how we continue to comply with the 12 principles of the FRC UK Stewardship Code 2020. It describes the stewardship activities of RLMIS between 1 January and 31 December 2024, including our progress and detail of initiatives planned for the coming years.

The FRC regulates UK auditors, accountants and actuaries in the public interest. Its mission is to promote transparency and integrity in business.

The UK Stewardship Code 2020 (the Code) defines ‘stewardship’ as: *the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.*

RLMIS has maintained signatory status to the Code since 2022, while RLAM has maintained signatory status since 2021.

In June 2025, the FRC published its UK Stewardship Code 2026 following extensive industry engagement. The updated Code will apply from 1 January 2026, with a focus on supporting sustainable, long-term value creation while significantly reducing the reporting burden for signatories. Royal London engaged with the FRC throughout the consultation phase and we welcome the updated Code. RLMIS will report against its requirements in our 2025 Stewardship Report.

2024 stewardship highlights

Strengthening our stewardship approach
Our enhanced Responsible Investment and Stewardship policy, approved in 2024, sets out the standards we follow as well as our expectations of asset managers.

→ See page 18.

Listening to customer views
We conducted more than 100 research studies with customers, employers and advisers in 2024, which included gathering their views on responsible investment themes. We reflected the findings in developing our new Fossil Fuel Investments Position, published in 2025.

→ See page 21.

Engaging for change
We actively exercise the rights we gain from holding shares in companies, including our right to vote at company meetings. Our Asset Management business engages with companies on our behalf. RLAM completed 724 engagements during 2024, addressing 21 unique ESG topics and voted at more than 3,580³ company meetings in total during 2024.

→ See page 35.

Overseeing our asset managers
Our monitoring activities help us assess our asset managers’ responsible investing activity and performance. During 2024, our asset managers met the standards we require, including in relation to stewardship.

→ See page 30.

3. RLAM endeavours to vote in all eligible meetings, but may elect to ‘Take no action’ where share blocking is in place or in the event of international sanctions.

Principle 1 – Purpose, strategy and culture

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

Our Purpose

We are driven by our Purpose: *Protecting today, investing in tomorrow. Together we are mutually responsible.*

As a mutual, we generate value for our members, customers and wider society. We use our profits to improve our propositions and services for customers and financial advisers, to maintain our financial strength and to support social impact initiatives. We also share profits with eligible customers, boosting the value of their savings.

Our Purpose drives our strategy and our long-term response to relevant customer and market trends, helping us to set out the positive outcomes we want to achieve.



Our Purpose sets out the positive outcomes we want to achieve by using our mutuality for good:

Helping build financial resilience



We aim to:

- ensure our customers do not have to worry about their finances in times of ill health or bereavement
- help customers to feel confident about making decisions on their long-term savings and investments
- help our customers to have sufficient savings to enjoy the retirement they planned
- maximise financial inclusion and reduce vulnerability by collaborating with charities and social enterprises.

Playing our part in moving fairly to a sustainable world



We aim to:

- be responsible stewards of the investments we hold for the benefit of our customers and clients
- provide opportunities for customers to use their investments to address environmental and societal challenges, champion a just transition¹ and support communities to build resilience as they adapt to environmental challenges
- help build clarity on the role that Royal London and the wider industry can play in the net zero transition.

Strengthening the mutual choice for customers



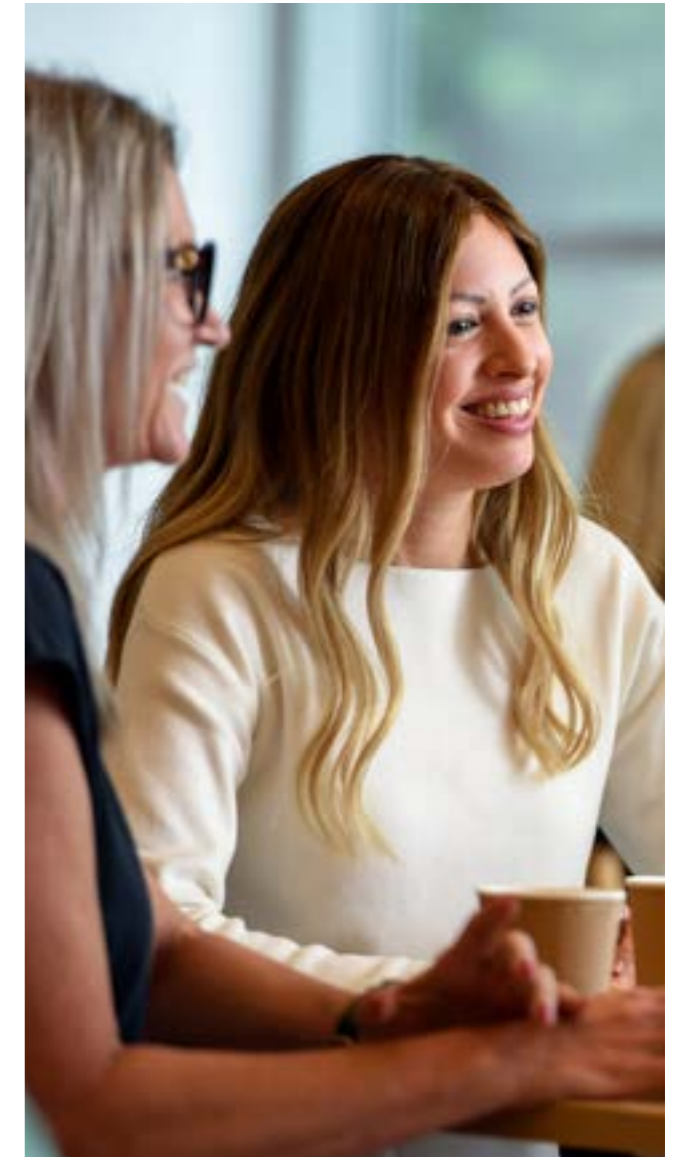
We aim to:

- invest in improving our customer offering by running a profitable and sustainable business
- be cost efficient, so that customers receive the financial benefits of our mutuality
- offer a sustainable alternative to companies run for the benefit of shareholders
- do what is right for members, customers and for wider society.

Our strategy

We are committed to our strategy of being 'an insight-led, modern mutual growing sustainably by deepening customer relationships'. This reflects the world we live in and the trends that shape our customers' changing needs.

1. A just transition is one where both the social and environmental implications of moving fairly to a low-carbon economy are considered.



Purpose, strategy and culture *continued*

How we create and deliver value

Royal London offers protection, long-term savings and retirement solutions for customers in the UK and Ireland, and asset management solutions for clients around the world. Royal London generates revenue in two main ways: customers and clients pay fees or charges for investing money with us, and customers pay premiums to insure themselves and their families (see Figure 1).

Royal London comprises RLMIS and its subsidiaries, which include the entities that make up the Group’s Asset Management business, RLAM. While RLMIS invests across a range of asset managers on behalf of our customers and members, more than 95% of RLMIS’ investments are managed by RLAM, which undertakes stewardship and engagement activity on behalf of RLMIS as well as on behalf of its own external customers and clients. Through RLAM we seek to influence the companies in which we invest and the wider industry, supporting Royal London’s Purpose outcomes.

Our culture

Our values

Our culture is built on four ‘Spirit of Royal London’ values: We are Empowered; We are Trustworthy; We Achieve; and We Collaborate. These values help shape our People Promise to all our colleagues that they will work somewhere inclusive, responsible, enjoyable and fulfilling.

Our mutuality

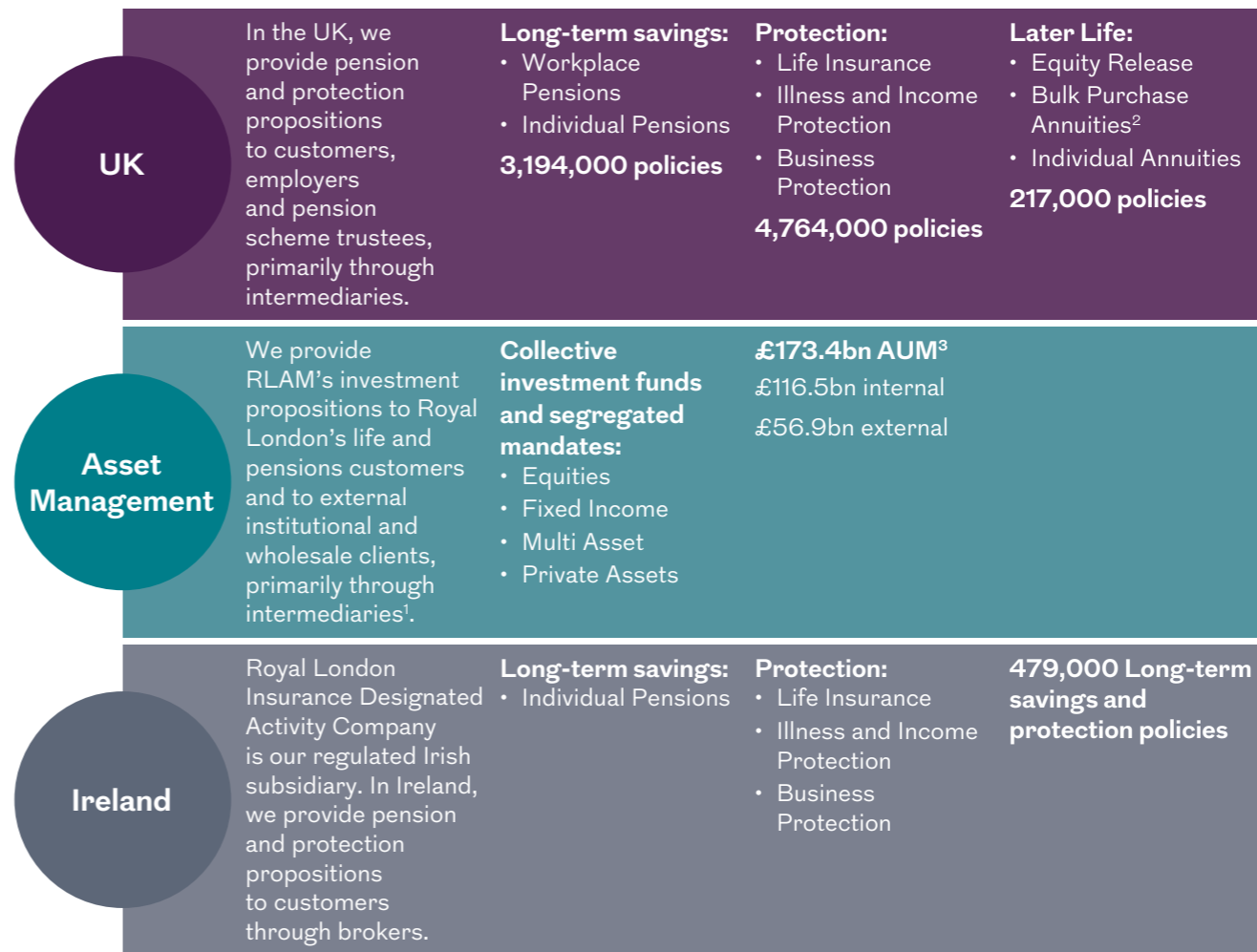
Being customer-owned directly influences the decisions that our business makes every day and our mutuality means that when Royal London does well, so do our members. We use our profits to improve our propositions and services, maintain our financial strength, support social impact initiatives, and – as we do not have shareholders – a share of the proceeds of our success goes directly to our eligible customers through our ProfitShare scheme.

Royal London’s Annual General Meeting (AGM) is a key moment for members to gain insight into our Group’s financial and operational performance, and to vote on resolutions put forward by the Board. We actively encourage members to participate, as voting plays a vital role in aligning Royal London’s direction with the interests of its members. Most of Royal London’s colleagues are also members through its internal pension scheme.

As we explain in [Principle 6 \(Client and beneficiary needs\)](#), we use the information our customers share with us to develop an investment philosophy, and products and services that will help them build the financial resilience they need.



Figure 1: What Royal London offers customers



Figures correct as of 31 December 2024

1. Included in the UK policy numbers shown above are 4,323,000 policies we manage for longstanding customers. These products are closed to new business and include 946,000 pensions policies, 217,000 annuity policies and 2,702,000 protection policies.
2. All of our Bulk Purchase Annuity business is currently at the buy-in stage so there is one policy in place with each pension scheme.
3. The Group’s AUM (assets under management) include external assets managed on behalf of third parties and internal assets managed on behalf of the Group.

Purpose, strategy and culture *continued*

Our Investment Philosophy and Beliefs

Our Purpose and strategy drive our 'Investment Philosophy and Beliefs', which is a framework we use to guide how we invest our customers' money on their behalf.

Through our Investment Philosophy and Beliefs, we recognise our customers' objectives and risk profiles, investing in well-diversified portfolios. Everything we do is for the long-term benefit of our members and customers, and our investment philosophy can be summarised as:

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

Our investment beliefs, which are informed by our investment philosophy, our understanding of the investing environment and our obligations to our customers, shape how we invest and influence our investment processes. Our investment beliefs closely align to our Purpose:

Protecting today

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

Investing in tomorrow

- We believe that over the long term, the most significant risk/return optimisation factor is strategic asset allocation. We believe that risk taking is typically rewarded over the long term and therefore seek to take risk where there is sufficient potential for reward, it is within our risk appetite, and we have the necessary skills to take that risk. However, we also recognise that not all risk taking is rewarded.
- We believe the best future for our customers is one where the goals of the Paris Agreement are achieved. We believe actions taken up to 2030 will determine the shape of the century to come.¹
- Our customers rely on us to invest their money prudently while seeking to maintain value over the long term, so wherever possible, we seek to align our investment strategy to reflect customers' investment horizons.
- We believe the appropriate investment style for a region, asset class, sector or theme may change over time.

We recognise that the trajectory to a net zero world will not be linear, with financed emissions potentially rising in some years, and that our actions and strategies will need to be adjusted to accommodate emerging trends including in government policy.

1. This is reflective of the Royal London Group's long-term ambition. It does not guarantee that a product will try to meet this outcome individually – if you are seeking a particular outcome, always check the product documentation to ensure it will meet your needs.

Together we are mutually responsible

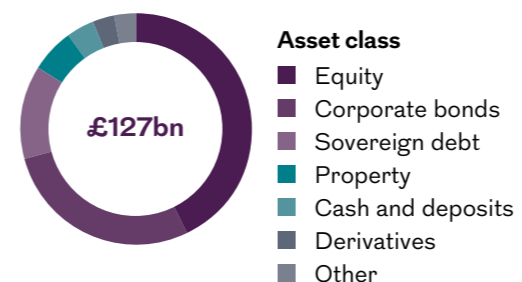
We believe transparency is essential to enable trust in us and the wider financial system. We believe we should act as a responsible steward of the assets we invest in on behalf of our customers, who rely on us to invest responsibly – in line with our legal and regulatory obligations.

Royal London's Responsible Investment and Stewardship Policy, supported by the RLMIS Responsible Investment and Stewardship Standards, RLMIS Exclusions, and Group Voting policies are underpinned by our Investment Philosophy and Beliefs. As a result, they are also aligned to our Purpose.

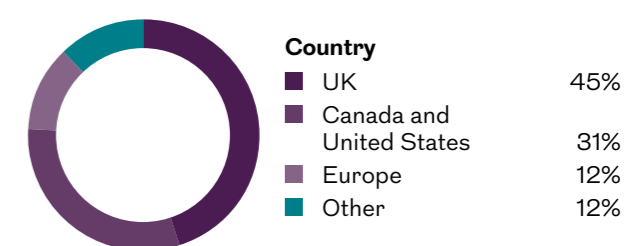


Our assets under management

RLMIS investment assets by class² (31 December 2024)



RLMIS investment assets by geography² (31 December 2024)



2. Rounded to the nearest 1%. This represents the overall amount of the Group's investments excluding assets managed on behalf of third parties. The disclosure includes assets managed by external asset managers (<5% total AUM), assets of the Group's pension schemes (<2%) and assets controlled by RLI DAC (<1%).

Purpose, strategy and culture *continued*

Serving our customers and members

Our Purpose helps us be clear on the difference we intend to make for our customers and members, while our stewardship approach sets out key activities we undertake to serve their best interests. Our stewardship focuses on responsible oversight of our asset managers, engaging with policymakers, companies and others, as well as exercising our right to vote on matters impacting the companies in which we invest. We aim to maintain signatory status of the UK Stewardship Code 2020 and, from next year, the 2026 Code.

Our stewardship approach

Asset manager oversight

- Our asset managers undertake stewardship activities on our behalf. Our Responsible Investment and Stewardship Policy sets out how we expect them to manage our customers' money appropriately.
- RLMIS monitors their performance against this policy and other considerations using its Asset Manager Oversight Framework to confirm our required standards are met.

Engagement

- We seek to influence the behaviour of policymakers, the companies in which we invest, our peers and others to benefit our customers and wider society.
- We follow an 'engagement first' rather than 'divestment first' approach for our investments – and if an investee company is not making material progress, we expect our asset managers to escalate activities.
- In 2024, our Asset Management business completed 724 engagements with investee companies.

Exercising our vote

- Our bespoke approach to proxy voting complements our engagement activities.
- Through voting, we express our view on a range of issues, such as corporate governance, climate change, employee engagement and board appointments.
- Our Group-wide Voting Policy sets the parameters for RLMIS as an asset owner and for our Asset Management business.
- During 2024, our Asset Management business voted at more than 3,580¹ company meetings.

We assess how we are performing against our Purpose in several ways. This includes through our Independent Governance Committee, assessment against benchmarks and through customer research. Our biannual customer relationship survey includes questions designed to ascertain customers' views on how we are progressing towards our Purpose outcomes. For a summary of key progress against our Purpose outcomes, see our [2024 Annual Report and Accounts](#).

In November 2024, the RLMIS Board received an annual update on activities aimed at achieving our Purpose outcome of 'playing our part in moving fairly to a sustainable world'. The update outlined the vital role that responsible investment and our [Climate Transition Plan](#), which describes our climate strategy, play in delivering this Purpose outcome. The RLMIS Board noted the progress made in 2024 on key matters. This included:

- developing our Climate Transition Plan
- collaborating with industry bodies and regulators
- increasing Royal London's voice externally to help influence the debate on a just transition to net zero
- embedding responsible investment and sustainability across the Group
- providing sustainability-related training for all colleagues.

Based on the review, the RLMIS Board agreed with management's recommendations that key areas of focus for the Group in 2025 should be:

- continuing to embed responsible investment across the business
- engaging with colleagues to build the Group's responsible investment capability
- developing the Group's position on fossil fuels and the role energy companies should play in the transition to net zero
- developing the Group's strategy to deliver climate-aware investment solutions
- strengthening the Group's climate scenario modelling approach to support Royal London's financial strength and to further enhance our investment approach to deliver optimised, risk-adjusted returns for customers.

For further details of how we serve our customers' interests, such as by offering suitable products and services, see [Principle 6 \(Client and beneficiary needs\)](#).

1. RLAM endeavours to vote in all eligible meetings, but may elect to take no action where share blocking is in place or in the event of international sanctions.

Principle 2 – Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.



Our governance approach

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

The RLMIS Board delegates to the Group Chief Executive Officer (CEO) the day-to-day management of the Group to meet its Purpose and to implement the Group's strategy and objectives – in line with ethical and regulatory standards, while maintaining an inclusive culture and strong values. The RLMIS Board has also established committees and has delegated authority to them to consider and make recommendations on important issues of policy and governance. All boards and committees within the Group consider ESG and climate-related matters through the reports they receive.

The **RLMIS Investment Committee** supports the RLMIS Board in managing investments held as principal in a manner that is consistent with RLMIS' Investment Philosophy and Beliefs, which the committee recommends for approval by the RLMIS Board on an annual basis. The committee is responsible for assessing whether assets remain appropriately invested to meet the needs of the Group's members and policyholders. It also monitors the Group's investment strategy and investment performance, taking into account the interests of policyholders and members, including material ESG and climate-related matters.

Given our mutual status, the **RLMIS With Profits Committee** plays a key role in stewardship. The committee supports and advises the RLMIS Board in managing With Profits funds and in considering the interests of all With Profits and unit-linked policyholders with an entitlement to a share in the profits of the Group. It exercises judgement in advising the RLMIS Board on the achievement of fair treatment of those policyholders. The committee operates in accordance with the Financial Conduct Authority's (FCA) Conduct of Business Sourcebook, section 20.5, and the FCA's Principles for Business.

The terms of reference of the RLMIS Board and its committees are available on www.royallondon.com.

The following committees work independently of the RLMIS Board and also focus on stewardship:

- **The Independent Governance Committee** assesses the ongoing value for money provided by Royal London to its Workplace Pension and Investment Pathway customers. Its wider remit includes consideration of ESG factors that are material to the suitability of an investment, among

other responsibilities. The committee operates in accordance with the FCA's Conduct of Business Sourcebook, section 19.5. Further details are available on www.royallondon.com.

- **The Investment Advisory Committee** provides a forum for independent challenge of Royal London's unit-linked investment solutions. It focuses on the proposition design and performance of our Governed Range, individually selectable funds managed by RLAM, Investment Pathways and the Royal London Matrix Range.¹ The committee's challenge helps address issues and identify opportunities and solutions, supporting the continuous improvement mindset needed to deliver our Purpose. It also focuses on the way in which ESG themes are considered and integrated into some of our investment solutions, among other responsibilities. Further details are available on www.royallondon.com.

Governance effectiveness

During 2024, we monitored integration of stewardship considerations in our governance approach and investments:

- The RLMIS Board completed the annual formal review of its performance and the performance of its committees, the Chair and individual directors. The overall view was that the governance structures in place allowed the RLMIS Board to discharge its obligations appropriately. The review identified areas to further improve the effectiveness of the RLMIS Board and to further develop the governance structures to support the continuous growth of the Group and to position the organisation to meet evolving internal and external strategic challenges and opportunities. For more information on the

Board's evaluation mechanisms, including progress against previous recommendations, see our [2024 Annual Report and Accounts](#).

- The RLMIS Investment Committee continued to monitor the embedding of our Purpose and strategy into investment activities. It undertook its annual review of our Investment Philosophy and Beliefs, with minor updates recommended and approved. Reviews of how we allocate our investments across different asset classes (known as strategic asset allocation reviews) applied our investment beliefs, such as customer focus and diversification, and considered economic and climate scenarios. The RLMIS Investment Committee reviewed and approved these changes as appropriate.
- Biannual stewardship meetings continued with RLAM and our key asset managers.² We assess asset managers' adherence to Royal London's Responsible Investment and Stewardship Policy, RLMIS Responsible Investment Stewardship Standards, Group Voting Policy and RLMIS Exclusions Policy using our RLMIS Responsible Investment and Climate Change (RICC) Asset Manager Oversight Framework. We improved oversight of asset manager alignment with our RICC Asset Manager Oversight Framework by introducing a rating system for each Framework component, which guides biannual stewardship conversations. For further details of how we monitor our asset managers see [page 32](#).

We continuously review our governance approach and framework, including by periodically reviewing our committees' terms of reference, with the aim to identify further opportunities for improvement.

1. For details of our products and services, see [page 4](#).

2. In 2024, key asset managers were those who managed over £100m as at 31 December 2023 on our behalf.

Governance, resources and incentives *continued*

Relationship with our asset managers

Our Asset Management business, RLAM, and RLMIS share the same Purpose. The Board of RLAM is required to act in a manner most likely to promote the success of RLAM for the benefit of RLMIS, among other factors. Formal Investment Management Agreements are in place between RLAM and RLMIS, which detail how RLAM must act on behalf of RLMIS.

We monitor how RLAM and our other key asset managers align their stewardship-related decisions with the Royal London Responsible Investment and Stewardship Policy. RLAM provides RLMIS with reporting on how it has voted, its exclusions list and on climate and ESG considerations. These aspects and its engagement activities are assessed and discussed at biannual stewardship meetings. Every three years, RLMIS carries out a formal review of RLAM, which includes RICC considerations, to assess whether it should continue to manage the majority of our customers' assets. The next review is due in 2025.

We confirm our other key asset managers' stewardship approaches at biannual stewardship meetings. We also obtain additional detail where required, for example on asset managers' climate commitments, engagement and voting practices.

For further details of our oversight of asset managers, see [Principle 8 \(Monitoring managers and service providers\)](#).

Relationship with our suppliers

Royal London considers the stewardship of our suppliers from the outset. We outline this in our Procurement and Third-Party Management Policy and in our procurement processes. Prior to entering a contract, we communicate our Purpose and strategy, our expectations on key topics – such as governance practices – and we conduct due diligence. We look for suppliers to align with our expectations where possible, and ensure relevant legislation and regulations are addressed in contracts.

Once a contract is agreed, several internal frameworks, policies and communities support stewardship of our supplier relationships, to protect the customer experience and outcomes, manage risks, as well as ensure that the supplier remains aligned with our expectations. These include our:

- **Outsourcing Strategy Framework**, which guides decisions to outsource any functions, processes, services or technologies. Decisions are taken through Executive and Board governance in adherence with the FCA's SYSC 8 (part of the Handbook in High Level Standards) and Prudential Regulation Authority SS2/21 regulation.
- **Third-Party Risk Management Framework**, which outlines how we manage our suppliers, and includes our Procurement and Third-Party Management Policy and Supplier Management Handbook. We also undertake ongoing due diligence on our suppliers across a range of topics including cyber risk and customer outcomes.

- **Supplier Code of Conduct**, which sets out the standards we expect from suppliers and how we would like to work with them. We engage our suppliers on topics including ethics and integrity, human rights, labour standards and modern slavery, environmental standards, and diversity and inclusion. Acknowledgement of this Code by suppliers is required prior to contract signature. Suppliers must also comply with the Modern Slavery Act 2015. We ensure that all supplier employees who work on Royal London premises are paid the UK Real Living Wage set by the Living Wage Foundation.
- **Royal London's Supplier Management Community**, which briefs colleagues who manage supplier relationships on upcoming changes to our supplier stewardship approach and delivers training to these colleagues to maintain high standards.

We work with our suppliers to understand their approach to managing climate risks and their targets related to transitioning towards net zero, as well as their approach towards biodiversity and other environmental considerations. In 2024, this included some of our suppliers presenting to Royal London colleagues, such as at our annual internal Sustainability Summit event.

Resourcing our stewardship activities

We continue to develop our internal capabilities. We work closely with our Asset Management business to strengthen stewardship-related activity across the Group.

Several teams within Royal London and RLMIS contribute to the effective management and implementation of our stewardship-related activities.

RLMIS Investment Office

Within RLMIS, the Investment Office is a dedicated team of investment professionals with responsibility for developing and implementing our investment strategy and the Group's strategic asset allocation, as well as overseeing the performance of RLAM and other asset managers. This includes responsibility for appointing and monitoring asset managers in line with our Asset Manager Oversight Framework – for further information see [Principle 8 \(Monitoring managers and service providers\)](#).

Governance, resources and incentives *continued*

The Investment Office monitors regulatory developments relevant to investment matters, and develops and implements Royal London's investment strategy across all of the Group's long-term savings propositions. As at 31 December 2024, the Investment Office includes 23 investment professionals, led by the Group Investment Director. The team's expertise covers specialist skills across public and private asset markets, structuring and execution, investment strategy, asset allocation, implementations, risk management and analytics, fund performance, fund operations and responsible investment asset management oversight. The Investment Office team also collaborates closely with the RLMIS Investment Solutions team, which develops and oversees our propositions.

Group Sustainability and Stewardship team

The Group Sustainability and Stewardship team is accountable for delivering and evolving Royal London's sustainability and stewardship strategy. The team also supports the embedding of climate considerations and other sustainability activities across the wider business, providing expertise and challenge on sustainability and stewardship.

As at 31 December 2024, this team includes 15 full-time sustainability and stewardship colleagues with a range of skills and experience including investment management and governance, environmental and social sustainability, corporate responsibility, data analytics, actuarial expertise and audit skills. The team is led by the Head of Group Sustainability and Stewardship, who reports to Royal London's CEO Office Director. We added new expertise to the team during 2024, including by formally integrating our Social Impact team of three colleagues into the Group Sustainability and Stewardship team. In 2025, we appointed a Senior Nature and Biodiversity Manager to lead on development of the Group's nature strategy.

Expertise within other RLMIS teams

Other core functions within RLMIS allocate resources and provide specialist expertise to progress the delivery of our stewardship-related product, investment and operational sustainability goals. In 2024, this included:

- the Investment Solutions team, which is involved in biannual stewardship meetings with asset managers alongside the Investment Office, and is responsible for the development of climate-aware investment solutions to support customer and client outcomes
- the Group Actuarial team, which conducts climate scenario stress testing to assess the impact of climate change on our capital position and to address regulatory expectations
- Group Risk and Compliance specialists, who support development of Group-wide climate risk reporting and embedding of climate-related risks into our risk management framework.

Royal London Asset Management Responsible Investment Team

RLMIS also benefits from the expertise of colleagues in our Asset Management business. As at 31 December 2024, RLAM's Responsible Investment team includes 20 sustainability and ESG specialists, who collaborate closely with their investment teams. The team comprises subject matter experts on topics such as climate, governance and social issues. They consider ESG factors in investment processes, consult on proxy voting and aim to drive improvements in the companies they invest in on our behalf.

Strengthening our sustainability capabilities

We want all colleagues to understand sustainability-related issues and feel empowered to act.

Sustainability Learning and Capability Plan

During 2024, we further developed and began the delivery of our Sustainability Learning and Capability Plan to build the right skill sets and mindsets on key sustainability topics. The Plan tailors sustainability training and engagement to different roles across Royal London, from foundational all-colleague learning to specialised modules for technical roles, senior management and Board members. In 2024, we:

- provided targeted training on responsible investment and sustainability to all colleagues in our Asset Management business, including its board
- partnered with sustainability learning specialists at Cranfield University to deliver an interactive workshop for senior leaders, supporting them to become sustainability leaders in Royal London and embed our climate strategy into their teams
- created a short animation outlining our climate commitments, targets and timelines for colleagues, inviting them to play their part in moving fairly to a sustainable world. This was launched during our Group-wide 2024 Sustainability Summit and will form part of our e-learning module for all colleagues, to be released in 2025.

Eco Champs network

Our 'Eco Champs' colleague network continued to expand, growing to more than 930 members by the end of 2024. This voluntary network focuses on building a culture of sustainability across

Royal London by educating and inspiring colleagues through communications, events and activities, including our annual Sustainability Summit.

Throughout the year, the Eco Champs network organised 15 educational events covering themes including supply chain sustainability, biodiversity, technology, colleague emissions, the just transition and visions for a sustainable future. To support the events, the network also published a range of internal articles and resources.

Carbon footprint partner

We also developed our relationship with our carbon footprint partner, Pawprint, as we continued to motivate colleagues to reduce their personal footprints through the Pawprint app. In 2024, the number of colleagues engaging with the app increased by 31% compared to 2023, resulting in more than 229,000 actions logged in 2024.

Colleague engagement activities

Royal London continued to measure colleague engagement activities by tracking sustainability questions in our biannual colleague engagement survey. A growing majority of colleagues (79%) agree that they understand how their role contributes to Royal London's goal of moving fairly to a sustainable world, an increase from 71% in 2023. As a Group, we also began measuring colleagues' understanding of our climate commitments in 2024, with 73% confirming they know what these commitments are. We will use these results to inform how we continue to build colleague engagement in 2025 and beyond.

Governance, resources and incentives *continued***Diversity, inclusion and wellbeing at Royal London**

We continue to drive our positive action plan for diversity and inclusion. The diversity and inclusion sponsors from business area senior leadership teams are responsible for local action plans, which complement our central strategy, and we encourage them to share insights to support each other.

The data that colleagues share with us, on characteristics such as ethnicity, gender identity and disability, plays an important role in helping us understand the diversity of our workforce. Our 2024 colleague diversity disclosure rate remained high, with 89% choosing to disclose this data.

We remain focused on our commitments under HM Treasury's Women in Finance Charter and the Race at Work Charter and continue to meet the requirements of our 'level 2' status as a Disability Confident employer – providing support and adjustments for candidates and colleagues with disabilities, long-term health conditions and neurodiversity. We also work in partnership with external organisations to ensure our business and the wider industry benefits from best practice, such as Inclusive Employers, Women in Banking & Finance, the Business Disability Forum and Neurodiversity in Business.

Aligned to our People Commitments, we run a calendar of inclusion activities. This is shaped by colleague feedback from our engagement survey and input from our colleague-led inclusion networks: DAWN (Disability Awareness Network including neurodiversity); PRIDE, which is our LGBTQ+ network; REACH (Race, Ethnicity and Cultural Heritage including faith); and our Women's Network.



In 2024, we celebrated a range of inclusion events. These included International Men's and International Women's Day, World Mental Health Day and World Menopause Day, and we supported colleagues to attend PRIDE events in Edinburgh, Dublin and Manchester. Our Black History Month celebrations included a panel event with colleagues, Board members and our brand ambassador, former England rugby union player Shaunagh Brown. As part of National Inclusion Week in September, we ran a session for colleagues in collaboration with the Association of British Insurers on the importance of allyship in the workplace.

Our volunteer Mental Health First Aiders continued to collaborate on a range of wellbeing events, focused on supporting colleagues' physical, mental and financial health. In 2024, we also launched a new colleague community support group for parents and carers.

Resource investment in 2024**Data capabilities**

As part of enhancing our oversight of asset managers, we have contracts with data providers AssetQ and MSCI. We work with AssetQ to complete baseline due diligence assessments of our asset managers, covering topics such as sustainability and ESG integration and engagement activities.

We use MSCI Climate Change data and MSCI ESG Fund Rating data to support assessment of the carbon exposure of our investments and to monitor how our asset managers apply exclusions criteria. In addition to these data providers, we also issue an enhanced RICC Due Diligence Questionnaire (DDQ) to key asset managers and RLAM, which contains more probing questions in relation to elements of the Responsible Investment and Stewardship Policy, to gain additional information and insight into their investment practices. In 2024, we held biannual stewardship meetings with all seven of our key asset managers and RLAM. These meetings included a formalised assessment of the MSCI data and analysis from the enhanced RICC DDQ responses, to gain a deeper understanding of key asset manager activity in relation to the climate transition.

Scenario modelling

We use Moody's Analytics to provide economic scenario modelling outputs that support our future strategic asset allocation activity, including in relation to climate scenario stress testing.

Further information on how we monitor and engage with service providers is included in Principle 8 (Monitoring managers and service providers).

Performance management and reward

Our Group's incentive framework is designed to help colleagues focus on activities that support our Purpose and contribute to delivering long-term value for our stakeholders. Within the framework, a Short-Term Incentive Plan applies to the majority of colleagues, while a Long-Term Incentive Plan applies to our most senior colleagues. In 2024, both incentive plans were based on a scorecard that is reviewed and approved annually, and monitored by the RLMIS Remuneration Committee.

These incentive plans contain targets and metrics to track the delivery of key outcomes that support our strategy, including our climate commitments. For example, in 2024 we included a measure in our Long-Term Incentive Plan to demonstrate progress against a basket of our priority initiatives, which contained assessment of progress to reduce carbon emissions and of just transition-related engagement.

Principle 3 – Conflicts of interest

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



Our approach

RLMIS is committed to meeting the highest standards of personal and corporate ethics in all our activities.

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

The CoI Policy provides a framework to help Royal London ensure we always act in the best interests of our customers. It requires the abovementioned colleagues to disclose any perceived, potential or actual conflicts of interest, including any actions that have been implemented to mitigate the conflict. Failure to declare an interest is considered misconduct and may lead to disciplinary measures.

We recognise that Royal London may encounter a range of conflicts, such as:

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

By law, Board members must avoid situational conflicts of interest, or seek authorisation by the Board if the conflict is unavoidable. The RLMIS Board is authorised to approve conflicts or potential conflicts of interest in relation to directors. Any identified and authorised conflicts are assessed and managed on an ongoing basis. During 2024, the RLMIS Board reviewed the interests of directors and their connected persons and authorised any interests that conflicted or potentially conflicted with the interests of the Group. None of the potential conflicts, all of which related to directors' outside appointments, were found to present an actual conflict of interest.

The RLMIS Board, led by the Chair, regularly evaluates the independence of the non-executive directors, advised by the Group Company Secretary, and takes action to identify and manage conflicts of interest. The Board satisfied itself that each non-executive director continued to be independent throughout 2024.

The risk of conflicts arising from RLMIS investing in its clients (for example, employers with a Royal London Personal Pension arrangement) is mitigated by delegating our investment decisions to our asset managers. To reduce the risk of our asset managers having visibility of information that could influence decision making, we do not share our client information

with asset managers except for when employers or pension scheme advisers request specific input from RLAM. Our asset managers also have their own conflict of interest policies.

RLAM is a wholly owned subsidiary of RLMIS with clients external to Royal London. Conflicts arising from interactions between Group companies are managed via our Board arrangements. The roles of the Independent Governance Committee and the RLMIS With Profits Committee are also relevant in managing potential conflict between RLMIS and RLAM for customers under their remit. In addition, our Procurement and Third-Party Management Policy includes arrangements for managing risks associated with interactions between Group companies. This policy requires the appointment of a Relationship Owner which, in the case of RLMIS' relationship with RLAM, is the Investment Office's Head of Oversight.

RLAM carries out key stewardship activity on behalf of the Group. While this relationship needs to be carefully managed, co-operation between RLMIS and RLAM enhances our shared capabilities and benefits RLMIS customers. For further details of stewardship activity RLAM undertakes on behalf of RLMIS, see [Principles 4 \(Promoting well-functioning markets\)](#), [9 \(Engagement\)](#), [10 \(Collaboration\)](#) and [12 \(Exercising rights and responsibilities\)](#). For an explanation of how RLMIS oversees stewardship activity undertaken on its behalf by all our asset managers, see [Principles 8 \(Monitoring managers and service providers\)](#) and [11 \(Escalation\)](#).

Managing stewardship-related conflicts

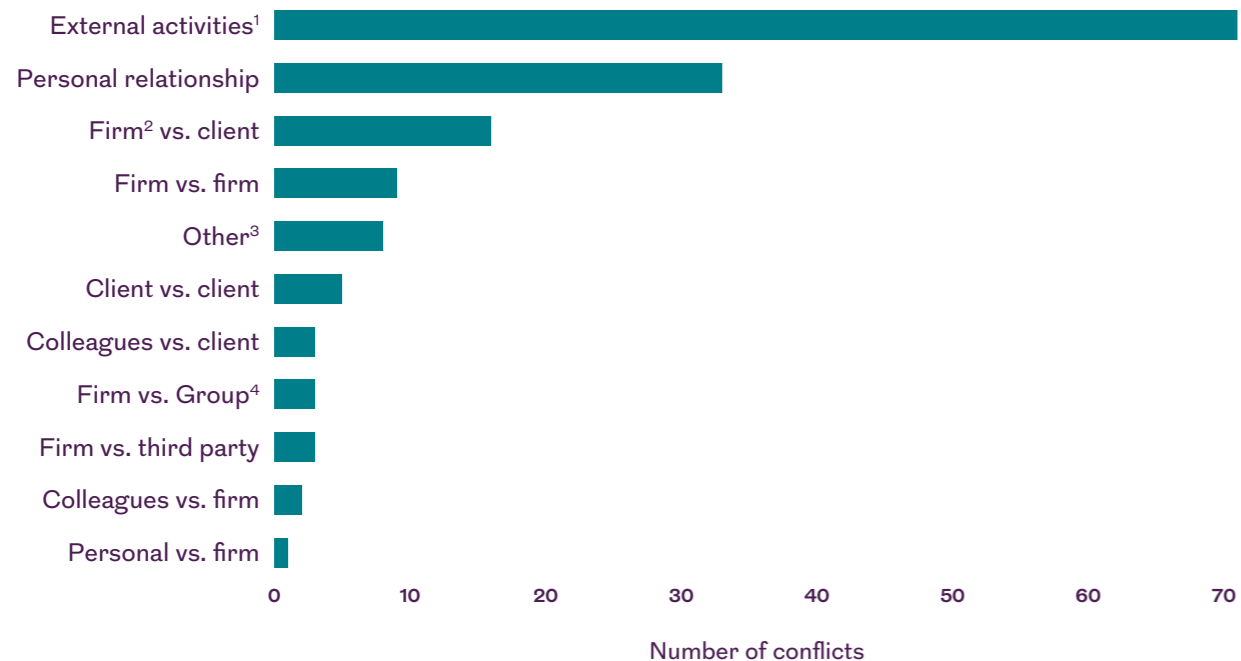
We aim to ensure that perceived, potential and actual conflicts are identified and managed in the best interests of our clients and members. Conflict management approaches include, but are not limited to, the following functions and policies:

- Our Investment Office directly interacts with our Asset Management business through RLAM's Strategic Partnership team, which is dedicated to managing the relationship between RLMIS and our Asset Management business.
- Our Seeding Policy sets out how RLMIS provides seed funding for new RLAM funds. Further information on our 2024 seeding activity is provided under [Principle 7 \(Stewardship, investment and ESG integration\)](#).
- Royal London's Procurement and Third-Party Management Policy stipulates our requirements for colleagues managing material contracts. This includes ensuring that services are delivered in line with contracts, agreements and stewardship expectations.
- Our Responsible Investment and Climate Change Asset Manager Oversight Framework is applied consistently across asset managers, with 'enhanced oversight' established for our key asset managers and for RLAM. Further information is provided in [Principle 8 \(Monitoring managers and service providers\)](#).
- Royal London's Voting Policy sets out how we expect our asset managers to vote on resolutions in company holdings managed on our behalf. More information on Royal London's Voting Policy is set out under [Principle 12 \(Exercising rights and responsibilities\)](#).

Conflicts of interest *continued*

Royal London maintains a central register for RLMIS and RLAM of all perceived, potential and actual conflicts of interest, and the mitigation measures in place. Figure 2 presents Royal London's perceived, potential and actual conflicts of interest in 2024. In 2024, there were eight conflicts of interest requiring disclosure in the relevant fund documents.

Figure 2: 2024 Royal London conflicts by relationship type



Data correct as at 31 December 2024

1. 'External activities' include second jobs, directorships of charities or trustee roles.
2. 'Firm' includes Royal London Asset Management entities, for example RLAM Ltd, RLUTM Ltd and RLAM Funds plc.
3. 'Other' includes arranging equity release mortgages for family members.
4. 'Group' includes Group business areas providing services to RLAM entities.



Mitigating conflicts of interest between Royal London subsidiaries

As the Group Legal team provides legal advice and support to all Royal London subsidiaries, there is the potential for conflicts of interest. One potential instance is where Group Legal advises both RLMIS and RLAM, for example on Investment Management Agreements between the two entities. In such situations, different members of the Group Legal team separately represent the interests of each

entity. Where there is a potential or actual conflict identified, this is recorded on the Group Legal Business Conflicts of Interest Register in line with the Legal Business Conflicts of Interest process, which is overseen and owned by Royal London's General Counsel. The conflict is also recorded on the central Conflicts of Interest Register to ensure that all conflicts are appropriately managed and monitored.

Principle 4 – Promoting well-functioning markets

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



Risk management at Royal London

Effective risk management is a fundamental part of delivering on our Purpose and strategy. It aims to address the significant risks we are exposed to, so that our business remains sustainable, can grow safely, and continues to serve our customers.

The RLMIS Board, with the support of its Risk and Capital Committee, Audit Committee and Remuneration Committee, is responsible for the Group's risk strategy, risk preferences and risk appetite statements. It is also responsible for establishing and maintaining a framework of prudent and effective controls. For further detail of Royal London's risk governance structure, see our [2024 Annual Report and Accounts](#).

Royal London's risk management system, which includes our risk appetites and policies, is designed to manage and mitigate risks effectively. We define risk appetites to quantify the nature and level of risk we are prepared to accept to deliver our strategy in relation to five categories considered core to our business: capital, insurance, liquidity, strategy and operational. Within strategy risk, our appetite in relation to climate risks is set out in Royal London's climate change risk appetite statement, which was updated during 2024. These risk appetites are aligned to the Group's Purpose and strategy, and are approved by our Board.

Royal London's climate risk appetite statement

Royal London will manage and mitigate our exposure to the financial, strategic and operational risks arising from climate change. These include climate risks related to our investment decisions, and opportunities to sustainably reduce our carbon footprint and carbon-equivalent emissions in our investment portfolio in line with our commitments. We will also monitor external climate-related developments that could affect the sustainability and resilience of our business. These risks will continue to be embedded into risk management disciplines across the Group and will be monitored through climate risk reporting.

Identification and monitoring of market-wide and systemic risks

Identification processes

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

We identify new and evolving external risk exposures using a range of processes, including:

- **Quarterly regulatory radar:** A report on emerging themes (short, medium and long term), in-flight industry consultations and changes in these themes from the previous quarter. This is owned by the Group Risk and Compliance team.
- **Regulatory update newsletter:** A regular newsletter compiled by the Group Risk and Compliance team and distributed throughout our business, which highlights significant regulatory changes.
- **Emerging and Strategic Risk Forum:** A biannual gathering of key individuals involved in the management of emerging risks, strategic risks, and stress and scenario testing across the Group. A report is produced which details the risks identified, an indication of when these might impact our business, and the appointed business owner of the risks.
- **Technical Support team daily scan:** A daily scan for any changes in legislation or regulation that could affect any of RLMIS' UK products, including ESG-related changes. Changes are summarised and directed to the appropriate teams to address, with the Technical Support team tracking items to completion.
- **Competitors and markets scan:** A weekly newsletter that summarises key activity among our competitors and in the market.
- **Legal horizon-watching report:** A quarterly report that aims to capture the most important and relevant legal developments on the horizon for our business.
- **Legal and Regulatory Horizon Scanning Roles and Responsibilities Forum:** An ad hoc gathering to review and, where required, update roles and responsibilities.

Promoting well-functioning markets *continued*

Monitoring and managing risks

During 2024, we monitored and managed the following principal market-wide and systemic risks to the stewardship of our customers' investments:

- **Climate change:** Using our risk management system alongside our capital management framework, we manage climate-related risks to ensure that our business remains sustainable and continues to serve our customers. In 2024, we improved internal reporting on climate risks across the Group, including by updating the analysis of climate change scenarios in its Own Risk and Solvency Assessment. The Group continued to develop its [Climate Transition Plan](#), published in June 2025, which details the actions we expect to take to progress our climate strategy and the potential impact on our business and customers. We also developed the Group's policymaker engagement plan to support our climate commitments, and enhanced our Responsible Investment and Stewardship Policy. Recognising the impact that nature-related risks have on climate, the Group hired a Senior Nature and Biodiversity Manager in 2025 to develop its strategy on nature, which will include the identification of nature-related risks.
- **The economy and Royal London's key markets:** We complete regular economic and market reviews so that we develop strategies and operational capabilities. These evaluations enable us to consider current and future changes in markets, and consumer and adviser behaviour.
- **Changing political and regulatory environment:** We continually evaluate the effect that political and regulatory changes have on our business and the markets we operate in. This allows us to develop propositions that are compliant with regulations, continue to deliver good outcomes for our customers and meet the needs of distributors.

- **Maintaining operational resilience:** The RLMIS Board regularly reviews our strategic and operational plans. Specific change programme monitoring and reporting is carried out at a project, programme, portfolio and strategic level. We use a dashboard of management information to make risk-based decisions and prioritise and allocate resources. Our most significant strategic transformation and change programmes have multiple levels of assurance built into their internal management and governance. We also continued to invest in strengthening our security systems. Our security is proactive, with advanced monitoring, prevention and testing.
- **Maintaining our financial strength:** We use our experience to assess and set prices for known risks and ensure that reserves are appropriate. Stress and scenario testing underpins the calculation of reserves. It also assesses the appropriateness of key assumptions to a combination of extreme events. If actual claims experience is less favourable than we envisage, our reinsurance arrangements will mitigate significantly. We also monitor our financial strength through our risk management framework, acting as appropriate across our risk profile.

Responding to trends

As described under [Principle 6 \(Client and beneficiary needs\)](#), the management of our customers' assets includes strategic and tactical asset allocation changes to optimise customer outcomes. This includes changes in response to principal risks.

Further detail of how we work to reduce risk exposure through our investment approach is provided in [Principle 7 \(Stewardship, investment and ESG integration\)](#).

Climate change risk management

Climate risks are complex and may take shape in a number of ways across a range of time horizons. When assessing our exposure to climate risks, we group potential impacts into physical and transition risks, as shown in the table below.

Climate risk category	Description	Sub-category	Sub-category description
Physical	Risks related to the physical impacts of climate change	Acute	Climate-related events, such as heatwaves, drought, storms or flooding, leading to damage to land, buildings, stock or infrastructure
		Chronic	Longer-term shifts in climate patterns with impacts such as falling crop yields, sea level rises, migration, political instability or conflict
Transition	Risks related to disorderly adjustments to markets as a result of the transition to a low-carbon economy	Policy	Including carbon pricing, emission caps and subsidies
		Market	Including the emergence of disruptive green technologies and changing consumer behaviours
		Reputation	Stakeholder expectations to address climate change

To assess these risks, we use two different approaches. We conduct climate change scenario modelling to identify and evaluate the potential impacts of physical and transition climate-related risks on our business, across various possible transition pathways and timeframes. This provides us with both quantitative and qualitative assessments of how climate-related risks might impact our business. We also carry out an additional qualitative climate risk assessment to gain a more comprehensive understanding of the risks associated with climate change and how these might materialise and impact our business over different time horizons.

We continue to improve how we assess climate risk. We license an external third-party climate model to enhance our quantitative climate risk modelling capabilities. We use climate scenarios to assess the impact of climate risks on our funds. In 2024, we examined our future use of climate scenarios by conducting research and interviews with third-party experts.

For further detail of the climate-related risks and opportunities deemed most material to Royal London as well as our risk assessment approach, see our [Group Climate Report 2024](#).

Promoting well-functioning markets *continued*

Promoting well-functioning markets

Involvement in industry initiatives

We work with our peers in the financial sector, regulators and policymakers to play our part in responding to market and systemic risks. When engaging in industry initiatives, we focus on the issues most material to our investments, and where we think our involvement can have the biggest impact on ESG outcomes. As described in [Principle 9 \(Engagement\)](#), we focus our engagement on two priority themes: climate change and inclusion (focused on a just transition). These priority themes are considered in all our stewardship activities.

Financial institutions cannot deliver on their climate ambitions without clear leadership from policymakers. Through membership of industry bodies and other collaborative opportunities, we encourage policymakers to support the transition to a low-carbon economy, in a way that considers the impact on society.

We proactively engage with policymakers on three priority action areas,¹ which support our engagement themes:

1. UK long-term infrastructure strategy	2. Blended finance	3. Value for money
<p>We will seek to influence the UK government towards providing more clarity and certainty on:</p> <ul style="list-style-type: none"> • its long-term energy infrastructure strategy, with specific consideration to energy-related initiatives including renewable energy, smart grids and grid-scale energy storage • how the development of the UK’s long-term energy infrastructure strategy will support a just transition • the electrification of mass transportation and commercial and passenger vehicles. <p>To support the UK government’s long-term trajectory, we would also like to see examples of other governments consistently pricing climate impacts through, for example, tax incentives, levies, subsidies and/or cap-and-trade programmes.</p>	<p>We will continue to work with policymakers including the UK government, both directly and through industry groups, to identify and encourage blended finance opportunities. Blended finance combines public and private sector funds to support projects or initiatives with social or environmental goals. By balancing risk and return characteristics of public and private investment, these investment opportunities can increase their appeal to institutional investors and catalyse private finance. This could be achieved by governments creating pools of capital willing to accept some concession in risk and/or expected return relative to the open market. For example, investment guarantees underwritten by governments regarding the extent of possible loss could help align investment profiles with Royal London customers’ and clients’ risk appetites.</p>	<p>We will work with policymakers to help move from a focus on cost towards value considerations, including investment in solutions needed to enable the net zero transition. This could include investments that preserve an appropriate level of customer protection and investment returns, but may incur higher costs, such as unlisted illiquid assets that might support the transition to net zero. Through the Association of British Insurers (ABI) as well as direct engagement with the UK government and the FCA, we will continue to explore this issue and highlight the need for greater innovation to support the transition to a more sustainable future.</p>

We also contribute to discussions and consultations relating to disclosures, climate investment taxonomies, labelling activities and interoperability across jurisdictions. Looking ahead, we will regularly review our policymaker objectives to react to the changing policy landscape and evolving priorities. As we develop our approach to nature and biodiversity, we will also seek opportunities to engage with policymakers on nature-related topics.

1. These action areas are based on the assumption that the UK government will not, now or in the future, renege on its legal obligation to reduce the UK’s greenhouse gas emissions to net zero by 2050.

Promoting well-functioning markets *continued***2024 industry and policymaker engagement activities**

We engaged with policymakers and industry initiatives on our priority themes during 2024, including through those shared in the table below.

Organisation	Role of RLMIS representatives	Key activity in 2024	Organisation	Role of RLMIS representatives	Key activity in 2024
Association of British Insurers (ABI)	Member of: <ul style="list-style-type: none"> Climate Change Steering and Working Groups Financial and Corporate Reporting Committee Investment Delivery Forum 	Contributed to ABI's evidence submission on the National Wealth Fund to HM Treasury, which urged the UK government to address barriers to investment in the net zero transition. Provided input on how the National Wealth Fund and a UK National Transition Plan can catalyse investment in clean energy.	Scottish Taskforce for Green and Sustainable Financial Services	Member of the Taskforce	Building on its 2023 work, which RLMIS contributed to as a Taskforce member, the Taskforce published recommendations to the Scottish government on unlocking finance for nature capital and renewable energy and strengthening Scotland's position as a centre for green finance.
Bulk Annuity Sustainability Principles Charter	Member of Steering Committee	RLMIS became a signatory to the Charter in September 2024, recognising the part our Bulk Purchase Annuity business can play in moving fairly to a sustainable world for pension scheme members to retire into.	The Institutional Investors Group on Climate Change (IIGCC)	Member of: <ul style="list-style-type: none"> The Paris Aligned Investment Initiative steering group The Scope 3 Working Group 	Reviewed the Net Zero Investment Framework 2.0 and Private Debt Guidance, which provide guidance on developing robust transition strategies. Contributed to guidance on how investors should approach monitoring, measuring and reducing portfolio Scope 3 emissions.
Financial Reporting Council (FRC)	Asset owner roundtable participant	Provided input to shape proposed updates to the UK Stewardship Code 2020 for asset owners.	Transition Plan Taskforce	Member of: <ul style="list-style-type: none"> Asset Owner Working Group Just Transition Working Group 	Contributed to the development of the Asset Owner and Just Transition guidelines, the final versions of which were published in April 2024.
Institute and Faculty of Actuaries (IFoA)	Sustainability working parties, Chair and participants	Published research on portfolio alignment metrics to help actuaries better understand the metrics used in climate disclosures and some investment products. Published an article in the Actuary Magazine and presented to the IFoA Life Conference to increase the actuarial profession's awareness of climate disclosure regulations. Engaged with the Actuarial Society of South Africa for a paper providing an overview of how actuaries can apply their expertise to assist with climate change risks and opportunities, supporting the transition to a low-carbon economy.	UK Business Group Alliance for Net Zero	Member of the Alliance	One of the signatories of a letter to the Prime Minister calling for a new era of UK climate leadership.
Institute of Chartered Accountants in Scotland (ICAS)	Roundtable participant	Provided input to support ICAS' views on the Transition Finance Market Review to the UK Department for Energy Security and Net Zero.	UK Sustainable Investment and Finance Association (UKSIF)	Member of the Policy Forum	Our Group Chief Executive Officer presented at UKSIF's annual conference on the importance of financial institutions' role in sustainability and climate transition planning, emphasising the importance of credible transition plans. Contributed to UKSIF's views on the impact of the potential UK government's pensions review. Supported a joint letter signed by UKSIF, IIGCC and UN Principles for Responsible Investment to the Prime Minister on the importance of strong policy support for the net zero transition. Reviewed the Global Investor Statement.

Promoting well-functioning markets *continued*

Effectiveness review

We believe we have been effective in identifying and responding to market-wide and systemic risks to promote well-functioning financial markets. This is demonstrated by:

- the range of processes we have in place across the business to identify and manage upcoming and existing market-wide and systemic risks, regulations and trends
- colleagues at all levels have risk management responsibilities, defined by the ‘three lines of defence’ model described [on page 19](#), with management of risks and controls embedded into teams
- continuing to develop our [Climate Transition Plan](#) in 2024, published in June 2025, outlining in detail the actions we expect to take to progress our climate strategy and the potential impact on our business and customers
- updating the analysis of climate change scenarios in our Own Risk and Solvency Assessment.



Principle 5 – Review and assurance

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



Group Risk and Compliance function. Policies also have business area owners who are responsible for the day-to-day embedding of the policy and for assessing effectiveness of the implemented policy.

All policies are reviewed according to our policy life cycle (see Figure 3) to ensure alignment with regulatory expectations and industry standards. This ensures our policies remain relevant.

Key Group policies enabling effective stewardship

Royal London has several key policies that apply to RLMIS and guide our stewardship activities.

Responsible Investment and Stewardship Policy

In 2024, we enhanced our Group's stewardship approach by developing an updated Responsible Investment and Stewardship Policy. This unites our responsible investment and stewardship policies and frameworks into a single, Group-wide approach, including Royal London's Voting Policy and Exclusions Policy. It sets out the standards expected of Royal London's asset owners and asset managers in respect of responsible investment. The policy is supported by entity-specific standards that allow for flexibility in implementation while ensuring consistent alignment with Royal London's overarching principles. For details of the standards RLMIS holds itself and our external asset managers accountable to, see our [Responsible Investment and Stewardship Policy](#). In 2025, we will continue to embed this policy and review our approach to exclusions – for further information, see [Principle 7 \(Stewardship, investment and ESG integration\)](#).

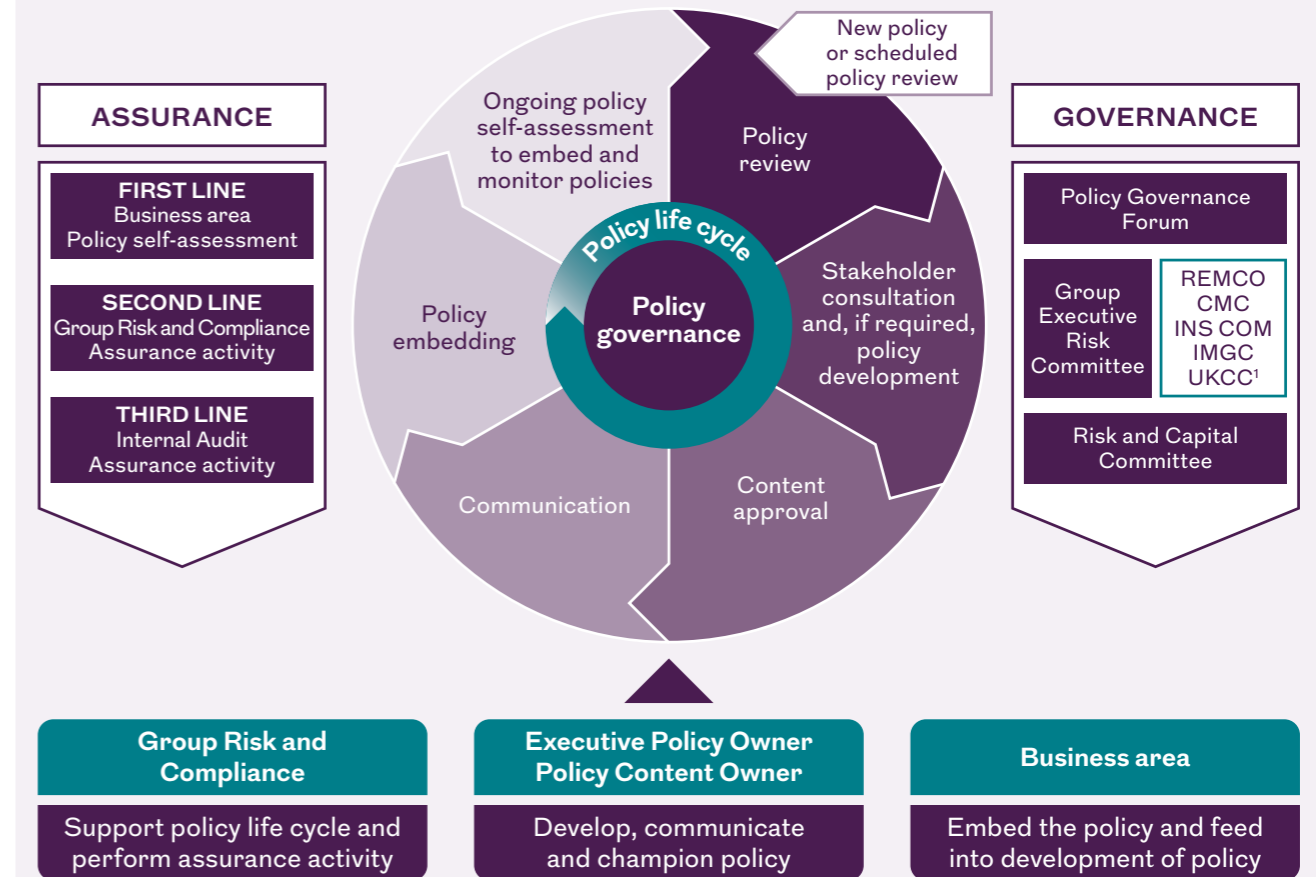
Our approach to policy review

Our Policy Framework and policy review process

Our Policy Framework, illustrated in Figure 3, forms part of the Risk Management System maintained by the Group Risk and Compliance function. The Framework provides a structured and consistent approach to the development, approval, implementation and embedding of Group policies across the business. It covers the entire policy life cycle: consultation, approval, communication, implementation and monitoring that policies are effectively embedded.

A member of the Group Executive Committee is allocated as the owner of each policy. They are responsible for ensuring the policy is implemented, embedded into the business, reviewed according to the established review process, and monitored by our

Figure 3: Our Policy Framework



1. **REMCO**: Remuneration Committee. **CMC**: Capital Management Committee. **INS COM**: Insurance Risk Committee. **IMGCC**: Internal Model Governance Committee. **UKCC**: UK Customer Committee.

Review and assurance *continued*

Customer Outcomes Policy

Following the comprehensive roll-out of the Customer Outcomes Policy across the Group, we identified both short- and long-term actions to enhance procedures, processes and standards. We also found opportunities to strengthen the policy itself to support more effective embedding. As part of the 2024 annual review, the policy was updated to incorporate these enhancements, ensuring continued alignment with applicable regulatory requirements.

Information Security Policy

In 2025, the Information Security Policy will be reviewed to ensure our standards continue to align with evolving industry best practice and regulatory expectations.

Data Governance Policy

In 2024, Royal London developed a new Group-wide Data Governance Policy, underpinned by a comprehensive Data Governance Framework and supported by a network of data stewards across the business. This framework enhances our data governance maturity, driving improvements in data quality, enabling more informed decision making and streamlining operational processes. The policy complements Royal London's Data Protection and Information Security policies to reinforce robust and effective data management, in compliance with regulatory standards.

Artificial intelligence principles

To support safe and responsible use of artificial intelligence (AI), we follow a set of principles that ensure our use of AI is fair, transparent and overseen by humans. These principles promote accountability, openness in operations and a commitment to environmental and social responsibility. As AI is evolving rapidly, it will remain a key focus for our business internally as well as in our external engagements.

Promoting responsible use of AI

By making use of AI, companies can reduce their carbon footprint and create long-term value for their stakeholders. In 2024, our Asset Management business launched a new engagement initiative to explore how the companies in which it invests approach ethical and sustainable AI. Initially, it focused on gathering information and sent a questionnaire to nine companies to better understand their practices. Our Asset Management business is now assessing the responses and identifying best practices. It plans to share these insights and promote responsible AI through an engagement for change programme.

Risk and control framework

We operate a 'three lines of defence' model, which defines ownership and responsibilities for all risks, including those related to stewardship:

- **'First line'** business units and Group functions have primary responsibility for managing risks. In line with our Group risk management framework, all areas must attest to the design and effectiveness of their controls every six months. Members of the Group Executive Committee manage the risks affecting their areas of responsibility.
- **'Second line'** is our Group Risk and Compliance function, which is independent of business units and Group functions. This provides specialist advice, oversight, challenge and assurance, and includes assessing adherence to relevant internal policies and external regulation.
- **'Third line'** is our Group-wide Internal Audit function. This provides independent assurance and has a reporting line to the Board which is independent of executive management.

Regulatory developments

In 2024, the FRC made updates to the UK Corporate Governance Code that will come in to force on 1 January 2026. This includes an update to Provision 29, which requests boards make a declaration of effectiveness of material internal controls. In 2025, Royal London will progress work across the Group to support these changes.

The Prudential Regulation Authority issued a consultation paper (CP10/25) in April 2025 outlining significant updates to existing regulatory expectations for banks and insurers with respect to managing climate-related risks. In 2025, Royal London will respond to the consultation and complete a full gap analysis against the requirements. We will put an action plan in place to meet the enhanced expectations from 2026 onwards.

Assurance

Our stewardship-related activity is subject to assurance review by internal and external parties. We consider the evolving ability of independent third parties to provide suitable assurance.

Internal assurance

Royal London's Assurance Framework helps ensure our internal risk controls work effectively across the Group. It provides internal assurance across our three lines of defence model. A risk-based approach is used to select assurance activities and identify potential improvements to our risk controls. An assurance report, which outlines the outcomes of this assurance activity, is provided for relevant executive and Board-level committees.

Our Responsible Investment and Climate Change Oversight Framework forms part of how we analyse and monitor asset managers' responsible investing activity and performance (see [Principle 8 \(Monitoring managers and service providers\)](#)).

In 2024, our Internal Audit team conducted a review of this framework. The review concluded that the framework provides a sound basis for overseeing our asset managers, while recognising that the framework will continue to develop as approaches to responsible investment and climate change evolve.

External assurance

Where necessary, we use external assurance to complement our three lines of defence model. In 2024, we engaged KPMG to perform independent limited assurance of selected climate metrics reported in our Annual Report and Accounts 2024 and Group Climate Report 2024. These metrics support the ongoing development and delivery of our climate strategy, as well as the identification of engagement priorities – such as with suppliers and the companies we invest in to understand their progress transitioning towards a low-carbon economy.

Review of our Stewardship Report

This Stewardship Report was produced by the Group Sustainability and Stewardship team in conjunction with the External Communications team and relevant business areas. The process included validation of information and the following review steps:

- second line review by our Group Risk and Compliance function
- review by relevant members of our Group Executive Committee, other members of senior management, and subject matter experts, including our Group Legal team
- review and approval by the RLMIS Investment Committee.

Principle 6 – Client and beneficiary needs

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



Understanding our customers

We want to support customers to build their financial resilience, while also playing our part in moving fairly to a sustainable world. To do this, we need to understand their investment time horizons, risk attitudes and sustainability preferences. This ensures we are generating risk-adjusted and term-appropriate investment returns for our customers in a responsible way.

Our stewardship approach is based on an understanding of the needs and preferences of our customers across our propositions for the UK and Ireland. For further details of our customers by proposition type, see [Principle 1 \(Purpose, strategy and culture\)](#).

Most of our pension customers are either in Workplace Pensions (Group Personal Pensions) or Individual Pensions. These products are defined contribution pensions but we also have a small number of longstanding customers in defined benefit schemes.

The average age of our pensions customers varies by product:¹

- Across our long-term savings business, we manage workplace pension schemes for over 24,000 employers covering approximately 2.1 million employees. These employees range in age from their early twenties to mid-sixties, with an average age of 41 years.
- In Individual Pensions, we have a further 367,000 customers, split approximately between 179,000 in accumulation products with an average age of 54 years, and 188,000 in drawdown. Our drawdown product is suitable for post-retirement customers of any age. This kind of product became much more widely used since Pensions Freedoms² were introduced in 2015 and so, at present, the average age is still relatively low at 66 years.
- We manage approximately 833,000 longstanding customers in individual accumulation products that are closed to new business. The average age of these customers is 58 years.

For further details of policyholders across our customer offering as well as our AUM by asset class and geography, see [Principle 1 \(Purpose, strategy and culture\)](#).

1. Figures as at 31 December 2024.
2. Introduced by the UK government in 2015, Pensions Freedoms allow customers to flexibly access the money saved in their defined contribution workplace pension plans.

Our approach to customer insight

We use a number of methods to gain insight into issues impacting our customers and their needs. Customer relationship studies help us understand our customers' requirements and how they believe we should act on issues that matter to them. Our biannual customer relationship studies survey a representative sample of our customers (more than 2,500 per study). The survey's methodology is designed to provide a reliable measure of customer sentiment. By capturing insights into customer perspectives on relevant topics, these studies inform our strategic decision making.

We complement these larger studies with tailored research panels involving customers, financial advisers and – starting in 2024 – employers. We use these panels to understand views towards our products, services, communications and evolving customer needs.

Each panel involves a robust sample of respondents, with around 850 customers involved in our customer panel, 250 advisers and paraplanners in our adviser panel, and 78 employers in our employer panel. In addition, we regularly review consumer market research to understand trends impacting UK consumers.

Customers contacting our UK Customer Services function form an important channel for improving our understanding of customer needs and concerns. Our colleagues receive training to identify and document customer interactions where specific needs are expressed. We monitor the actions taken by our customers – and advisers on their behalf – when interacting with us. In addition, we use Trustpilot as a key measure of customer feedback and service quality, and we respond to insights by implementing improvements where needed.

3. Results are based on responses from 2,768 Royal London customers in November 2024, who were asked: "Using a scale of 0 to 10, where 0 is 'Completely Disagree' and 10 is 'Completely Agree', do you agree with each of the following? I trust Royal London to have a positive impact on the environment".

Additionally, our AGM offers members the opportunity to engage directly with our Board, raising questions on issues important to them and voting on Board-proposed resolutions. We gain insight from the votes and questions asked by our customers.

Listening to our customers in 2024

Royal London conducted more than 100 research studies with customers, employers and advisers in 2024. Areas of focus included customer and employer engagement, views on our new proposition launches, and ease of understanding our communications.

Through our research during 2024, we found that consumers remain cautious about high household costs and bills, and concerned that their retirement savings may not be sufficient. This mirrors trends found by other external research providers.

To ensure ongoing alignment with our customers' values, we asked customers their views on components of our climate strategy. In 2024, we found that trust in Royal London's ability to make a positive environmental impact remained unchanged over the past year, with 37% of customers stating they trust us to do so.³ This indicates there is a need to improve communication on our actions and achievements to our customers to maintain and increase trust. We have taken action to address this, including publishing our inaugural [Climate Transition Plan](#) in June 2025.

We also researched customer sentiment to inform the development and refinement of our Exclusions Policy – [see page 21](#) for further detail.

We reflect further on the wider customer and market trends impacting our members in our [2024 Annual Report and Accounts](#).

Client and beneficiary needs *continued*

Effectiveness of our chosen methods

Our research methods – including frequency, approach, sampling and scope – are reviewed annually by our insight function. Through careful evaluation of sample sizes and demographic composition, we exercise due diligence to ensure that our studies accurately reflect both our customer base and the broader UK consumer population. We also undertake additional research, such as literature reviews, to validate our internal findings and mitigate potential biases.

In 2024, we improved our depth of insight into customer views on responsible investment themes by incorporating additional questions into our adviser relationship study and employer research panel. We will include these questions in these studies annually to maintain enhanced understanding of our customer priorities and guide our approach to responsible investment and stewardship.

Reflecting customers' needs in our stewardship and investments

Our stewardship approach

We reflect our understanding of customers' needs in our stewardship activities. As described [on page 20](#), we conduct research with customers, advisers and employers to guide development of our stewardship-related policies, including our approach to emerging responsible investment topics.

Responding to customers' responsible investment concerns

In 2024, we asked our customers whether they want their investments to support positive change. Climate change emerged as the most important responsible investment theme, with 38% of customers expressing a clear desire to contribute to positive environmental outcomes through their investments. The other two most important themes for our customers related to affordable financial products and services (37%) and ensuring companies are run fairly (35%). Overall, 50% expressed a desire to champion environmental themes.¹ We explored the same themes with employers, who also prioritised climate change, fair employment practices and affordable financial products and services.² In 2025, we will use these insights to review our engagement themes ([see page 34](#)).

In addition, we asked our customers' opinions on investing in fossil fuel-related activities, revealing a diverse spread of views. Two fifths do not want any money to be invested in fossil fuel-related activities, while just under two fifths (39%) are happy to invest if companies have plans to improve their practices or stop these activities, or earn a small proportion

of revenues from these activities.³ We used this research to inform the development of the [Royal London Fossil Fuel Investments Position](#), which includes our decision to phase out investments in companies heavily involved in thermal coal. This position has been put into action in the second half of 2025.

To inform a wider review of our Exclusions Policy ([see page 29](#)) in 2025, we also asked customers and employers their views on the inclusion or exclusion of other activities within their investments. Most customers (more than 60%) responded that they did not want their money to be invested in companies that earn revenue from human rights violations, gambling, tobacco or deforestation.

For nuclear power, views were split with one third (34%) not wanting their money to be invested in nuclear power, but one third (35%) being happy to remain invested.³ Employers expressed similar views.² We will use this research on fossil fuels and other activities to ensure our Exclusions Policy reflects customer preferences while also balancing customers' financial outcomes.



1. Results are based on responses from 1,978 Royal London customers in November 2024, who were asked: 'If looking to have a positive impact on society and/or the environment with your investments, which themes are most important to you?'
2. Results are based on responses from 20 employers in November 2024, who were asked: 'If looking to help achieve a positive impact on society and/or the environment, which themes are most important to your business?'
3. Results are based on responses from 2,768 Royal London customers in November 2024, who were asked: 'How do you feel about your money being invested in companies that earn revenue from the following activities: breach of human rights; gambling; tobacco; deforestation; fossil fuels; nuclear power.'

Client and beneficiary needs *continued*

Our products and services

Our products and services are also designed to reflect our understanding of customers' needs. We categorise all our customers into four 'life stages', which inform how we offer products aligned to their investment needs:

- **Starting out:** these customers range in age from 18 to 34 years. Typically, younger customers can take on more investment risk, but may also be less engaged in selecting their own investments.
- **Building and growing:** these are customers aged 35 to 49 years. The focus remains on growth at this stage.
- **To and through retirement:** these customers are approaching retirement, ranging in age from 50 to 69 years. The investment focus is on consolidation and transition to assets more appropriate for decumulation.
- **Later life:** these customers are over 70 years. Consistent, sustainable income and management of sequencing risks are valued by these customers who are typically drawing down on their pensions.

Our Governed Range and long-term funds

Over the past 16 years, our flagship unit-linked pensions offering for customers has been the Governed Range. The Governed Range accounts for the largest share of RLMIS' total AUM, standing at £69bn as at 31 December 2024. As a mutual, we also maintain substantial investments in our long-term With Profits funds. Accordingly, this section primarily focuses on the Governed Range and our long-term funds. Additional details of our stewardship approach across various assets can be found in [Principle 7 \(Stewardship, investment and ESG integration\)](#).

Our Governed Range

Our flagship Governed Range offers a spectrum of 12 risk-graded, multi asset portfolios, designed exclusively for UK savers. These portfolios are designed to optimise customer outcomes, with each aligned to a defined risk target and intended to suit individuals at different stages of their retirement journey. Each portfolio is actively managed by highly experienced investment professionals, including economists, strategists and fund managers. Ongoing management includes annual strategic asset allocation (SAA) reviews, monthly rebalancing and tactical asset allocation adjustments, and active stock selection to enhance customer outcomes. The Governed Range has consistently demonstrated strong performance, governance and risk management over its 16-year history.

The Governed Range invests in a variety of asset classes, including global equities, property, commodities, fixed income (including a range of corporate and collateralised credit and sovereign debt) and cash. The blend of assets in each portfolio is determined by each portfolio's target risk level, allowing policyholders to match portfolios to their own risk appetite.

We also provide lifestyle strategies, including a default strategy for automatic-enrolment workplace customers, built using our multi asset Governed Range portfolios. These lifestyle strategies are based on the customer life stages defined above. Customers in lifestyle strategies are transitioned through the Governed Range portfolios over the 15 years leading up to retirement. This gradual glidepath is intended to reduce market risk associated with abrupt changes in investment strategy, ensuring that the investment horizon remains aligned with the time to retirement. For example, our Workplace Pensions default customers begin in the Balanced

Lifestyle Strategy, which initially invests around 90% in risk-seeking assets. Upon retirement, customers move into our Governed Retirement Income Portfolio range, specifically designed to support income drawdown.

With Profits funds

With Profits policyholders are invested in our Long-Term Funds (LTFs). Each LTF's investment strategy is governed by its Principles and Practices of Financial Management (PPFM), which outline how the fund is managed. For example, the Royal London Main Fund's investment strategy, as defined in its PPFM, aims to optimise long-term returns for With Profits and deposit administration policyholders, while ensuring the fund can meet its guaranteed liabilities and policyholder commitments.

Legacy products and investment solutions

Beyond the Governed Range and LTFs, we also serve longstanding unit-linked business customers with legacy products and investment solutions. These are managed using the same investment philosophy, taking into account the appropriate investments for these legacy products. An increasing number of these products are being transitioned into the Governed Range or the Global Multi Asset Portfolios, which is a fund range managed by RLAM using a similar asset allocation as our Governed Portfolios.

Strategic asset allocation

Our customers' risk profiles vary not only by product but also among individuals within the same product. These considerations shape our stewardship approach. The key determinant of investment returns for customers is how we decide to allocate our investments across different asset classes. This is known as the strategic asset allocation. We balance our SAAs to allow for different customer needs and risk profiles, based on the customer life stages defined above.

The SAAs for both the Governed Range and LTFs are fundamentally shaped by the need to balance customer investment returns with their risk profiles.

Most of our customers invest in one of our multi asset portfolios or funds. For each of these funds we complete detailed analysis to determine the SAA benchmark and risk budget that is mandated to our investment manager.

Additional ESG-related investment considerations are discussed under [Principles 7 \(Stewardship, investment and ESG integration\)](#) and [8 \(Monitoring managers and service providers\)](#).

Proposition development

Our customer research also informs our proposition development activities. Listening to our customers' and advisers' feedback, in 2024 we made the Governed Portfolios easier to understand for customers and easier for advisers to explain to their clients. We reduced the number of portfolios and renamed them in line with the level of investment risk.

In 2025, we are continuing to strengthen the Governed Range with a focus on our Workplace offering. We will continue to evolve our propositions in line with the needs and changing views of our customers by reviewing our asset allocation mix, portfolio construction and related stewardship policies when necessary.

Client and beneficiary needs *continued*

Asset manager alignment

In 2024, our Asset Management business was aligned, and our key asset managers were well aligned overall, with Royal London's Responsible Investment and Stewardship Policy. For further details of our asset manager oversight activities, see [Principle 8 \(Monitoring managers and service providers\)](#).

Monitoring customer outcomes

We assess customer outcomes using our Customer Outcomes Framework, which defines the desired customer outcomes and potential customer harms we want to prevent. We have designed a suite of metrics to measure these outcomes and assess any actual or potential risks of harm for distinct customer groups, including vulnerable customers. These insights are communicated to relevant business owners, who then interpret the data, identify root causes and take appropriate action to address material risks.

The UK Customer Committee (UKCC), a sub-committee of the Group Executive Committee, meets quarterly and oversees the experiences and outcomes of UK customers. Attended by executives and senior management, it ensures alignment with the Group's Purpose, strategy and Customer Outcomes Policy.

The UKCC's responsibilities include maintaining oversight of:

- customer outcomes and experiences, including those of vulnerable customers, through service and experience monitoring
- proposition reviews and outcomes monitoring reporting
- customer and adviser behaviours and insights to support the enhancement of customer outcomes and experiences
- business responses to significant risks affecting customer outcomes and experiences.

Additionally, the UKCC supports the coordination of collaborative cross-functional activities aimed at delivering good customer outcomes.

Communicating with our customers

Our approach

We want our customers to understand that we are here to help them reach their financial goals in a way that supports both them and wider society. To achieve this, our communication methods include:

- Royal London's website
- Royal London's AGM
- annual policyholder statements
- our Annual Report and Accounts
- fund factsheets
- climate (Task Force on Climate-Related Financial Disclosures, TCFD) reporting and our Climate Transition Plan
- customer newsletters
- educational sessions, including webinars and face-to-face options
- our mobile app
- media advertising
- social media platforms
- this Stewardship Report.

Our website (www.royallondon.com) updates customers on how we manage the investments we hold for them. It provides fund factsheets for their investments, which include top fund holdings and – where data is available – a geographical and sector split of assets. For example, the data sheets for our Governed Range cover strategic asset allocation and tactical asset allocation splits, performance attribution and proportional asset class splits.

We recognise the importance of communicating how our approach to responsible investment supports our investment philosophy and priorities. We also provide annual updates on key climate metrics for each of our products, available to members on our website.

To enhance how we support Workplace Pensions customers, we created new Employee Engagement Consultant roles in 2024. Our Employee Engagement Consultants provide educational content directly to employees through webinars and face-to-face sessions, including introducing basic investment concepts and educating customers on their Royal London investment options as well as our responsible investment approach.



Client and beneficiary needs *continued*

Communications during 2024

In 2024, we introduced personalised video pension statements to supplement the traditional annual statements that are a regulatory requirement. This innovative approach aims to improve customer engagement with their pensions and raise awareness of their retirement savings progress. We distributed 148,000 video statements during the year. All customers were given the opportunity to rate them and, of those who did, 70% rated them 4 or 5 stars.

Our monthly email newsletter, Pelican Post, reached an average of more than 718,000 workplace and individual pension customers each month in 2024. It provided valuable support, including:

- highlighting the benefits of regular investing and its impact on customers' savings outcomes
- offering guides, tools and articles to help customers make the most of tax year allowances
- encouraging participation in Royal London's AGM, where members can vote on issues that matter to them.

Recognising that we cannot rely on direct customer communication alone to achieve the best customer outcomes, we continued to expand our employer newsletter, Pension Matters. Its distribution grew by 11% to 35,000 employers in 2024. Pension Matters provides employers with resources and tools to support their employees, seeking to ensure customers receive support from both their workplace and Royal London.

We also worked to provide customers with easier access to information about their pensions. By the end of 2024, more than 241,000 Royal London protection customers had registered to use the online 'My Royal London' portal and had logged in at least once in the past 12 months, an increase from 205,000 in 2023. Meanwhile, the number of users engaging with Royal London's UK customer mobile app – which communicates useful tools and information directly to our customers' smartphones – increased to 393,000 engaged users by the end of 2024, compared to 279,000 in 2023.

Our insight function tested whether customers find our communications clear and effective. As part of our ongoing efforts to meet our Consumer Duty requirements, we completed 30 tests with customer panels in 2024. These tests help us improve our existing and future communications, which in turn helps us better support our customers to make informed decisions about their investments and retirement.



Supporting customers' financial resilience

Our financial wellbeing service, 'Finwell', supports members to understand the steps they need to take to plan for their future. It offers guidance on how to plan for unexpected events such as ill health or job loss, as well as to prepare for retirement. We launched the service in May 2022 and since then, more than 29,500 members have completed a financial health check.

In 2024, we improved the service by adding a new pensions contributions tool. The tool highlights the benefits of contributing to a pension, offering insight into what a customer can contribute and how this relates to securing the retirement they want. More than 7,500 members have used the tool as of 31 December 2024, with 90% discovering they could afford to contribute more into their workplace pension to secure their desired retirement.

We also support customers' and consumers' financial resilience through our programme of pensions-focused webinars. More than 24,000 people registered for our webinars in 2024, to attend the live sessions or access a recording. Our webinars covered topics including 'State Pension myths explained', 'How to get ready for the retirement you want' and 'Your pension's tax benefits'. We share insights from the questions asked by webinar attendees with Royal London colleagues to help us shape our consumer guides and content.

Principle 7 – Stewardship, investment and ESG integration

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



Our stewardship priorities

We prioritise two themes within our asset owner stewardship and engagement activity: climate change, and inclusion (focused on a just transition). These themes are set by considering our Purpose, strategy and Responsible Investment and Stewardship Policy, listening to our customers and clients, using insights from our Asset Management business, and referencing the UN Sustainable Development Goals. We regularly review these themes as the sustainability agenda continues to evolve, for example in relation to topics such as nature and biodiversity. The next review is scheduled for 2025.

For further details of our engagement themes and how we consider these across our stewardship and investments, see [Principle 9 \(Engagement\)](#).

Our stewardship priorities in action

During 2024, we engaged on the topic of inclusion (focused on a just transition) and we began exploring the topic of adaptation to climate change.

Just transition

Encouraging a just transition – where both the social and environmental implications of moving fairly to a low-carbon economy are considered – aligns with our decarbonisation and social inclusion aims. We have advocated for a just transition for several years.

In 2024, through its Net Zero Engagement Programme, our Asset Management business continued to encourage companies to integrate consideration of a just transition into their climate transition plans and business strategies. Once a company publishes its plan, our Asset Management business assesses the plan, engages and tracks improvements in disclosures against plans.

Our Asset Management business also focused its just transition-related engagement on the banking sector. As providers of capital, banks have a key role to play in supporting the low-carbon transition. Together with Border to Coast Pensions Partnership and Friends Provident Foundation, in 2024 RLAM published guidance sharing investor expectations for the banking sector on just transition. For further detail, see [Principle 10 \(Collaboration\)](#).

As a Group, we supported social enterprises to promote a fair transition to net zero through our Changemakers Programme. Through the programme, we have invested over £1.2m since 2021 to support social enterprises across the UK and Ireland, each of which focus on building financial resilience or on supporting a fair and equitable transition

to a sustainable world. We also donated £120,000 to the Community Climate Fund of Business in the Community in 2024, where our funding focused on engaging policymakers in delivering a just transition. During 2025, we will be considering the opportunity to establish a further charity partnership that supports the just transition through nature and social positive outcomes.

Just adaptation

Adaptation to climate change, which is a goal of the Paris Agreement, is critical as the impacts of global warming become more severe. However, shifting to a more climate-resilient economy could have significant social implications, where good intentions may have unintended effects.

In 2024, our Asset Management business began engagement to understand how investee companies can implement climate adaptation plans that consider justice and equity. These plans can help companies mitigate financial and reputational risks, while unlocking opportunities to create value as well as benefits for wider society. Through engagement, our Asset Management business will start gathering examples of best practice, to inform our own expectations on this emerging topic. We plan to share our learnings with the broader industry. As a Group, we will also start to consider the role of nature in climate adaptation in 2025, as well as the concept of a just nature transition.

Stewardship approach

Our Investment Philosophy and Beliefs ([see page 5](#)) defines our approach to investing on behalf of customers. It describes the investment beliefs we apply when designing or reviewing investment mandates for RLMIS funds and portfolios. Further to this we have a formal Investment Management Agreement in place between RLMIS and RLAM, which aligns to our Investment Philosophy and Beliefs.

We believe that we should act as a responsible steward of the assets we invest in on behalf of our customers, who rely on us to adopt a responsible investment approach, in line with our legal and regulatory obligations.

Good stewardship involves regular, ongoing engagement with our asset managers and, through them, with the companies in which we invest on behalf of our customers. As active stewards, we exercise our voting rights as part of our overall stewardship approach.

Our Asset Management business undertakes engagement on our behalf. Our engagement themes – climate change and inclusion (focused on a just transition) – guide its proactive engagement with investee companies and other bodies. These themes do not guarantee that our products will try to meet objectives related to these themes individually – refer to the product documentation to check for a particular outcome.

Our engagement approach is outlined in our Responsible Investment and Stewardship Policy. This policy sets expectations, defines roles and responsibilities, and identifies the governance and interactions required to track progress and make adjustments when required. It applies to all our investments, across all geographies, though in practice the application varies by asset class, reflecting the variety of opportunities to engage.

Stewardship, investment and ESG integration *continued*

We conduct robust oversight of the asset managers appointed to manage assets on our behalf, as described in [Principle 8 \(Monitoring managers and service providers\)](#). We expect asset managers to exercise the full range of shareholder rights and responsibilities on our behalf. We also expect asset managers to be signatories of the UN Principles for Responsible Investment (UN PRI), the FRC's UK Stewardship Code 2020, and the Net Zero Asset Managers (NZAM) initiative – or to demonstrate an equivalent level of standards in their climate commitments.¹

We carefully consider our customers' needs and investment preferences, as described in [Principle 6 \(Client and beneficiary needs\)](#), before we finalise and communicate our requirements to asset managers through our mandates. Under [Principle 6](#), we also set out how we consider the time horizon of our customers' investment strategies and how we align our products with their needs.

Given RLAM manages 95% of our assets, the following information in this chapter primarily focuses on how it manages investments on behalf of RLMIS.

ESG integration

Our approach

ESG integration is the systematic, explicit and transparent integration of material ESG considerations into processes for investment research, analysis and

1. In early 2025, NZAM suspended its activity and announced a review of the initiative in light of changing regulatory and client expectations. RLAM has not changed any of its activities as a consequence of this suspension, and has responded to the consultation. Two of our six key asset managers (as at October 2025) have relinquished signatory status to NZAM, prior to the suspension, although have demonstrated membership to the Institutional Investors Group on Climate Change (IIGCC). The other key asset managers have entered a holding pattern as they assess the climate transition positioning and activities, awaiting the outcome of the NZAM review following the suspension.

decision making. For funds, ESG integration refers to the consideration of ESG risk as part of the investment process. It does not mean the fund is trying to achieve a particular positive ESG outcome.

Considering ESG factors, combined with traditional financial risk measures, helps identify financially material risks to companies and other issuers. We tailor how we integrate ESG risk across asset classes and investment strategies, instead of adopting a 'one size fits all' approach.

Expectations of our asset managers

Where relevant, we expect our asset managers to consider ESG factors in their investment process and portfolio construction, and how they monitor performance. We use our Responsible Investment and Climate Change Oversight Framework ([see page 31](#)) to monitor how our asset managers integrate ESG considerations across our investments. This is supplemented by biannual stewardship meetings with our key asset managers. For further detail of how we monitor our asset managers, see [Principle 8 \(Monitoring managers and service providers\)](#).

Our Asset Management business's approach

Our Asset Management business varies the way it integrates consideration of ESG factors across its investment strategies, depending on the investment objective and approach. Several of its strategies have explicit sustainability or ESG objectives. These strategies seek to achieve a sustainability, ESG or climate outcome alongside a financial return. Other strategies do not have an explicit ESG objective, but may consider ESG risks and inefficiencies as part of their investment process. For further detail of RLAM's approach to ESG integration, see [RLAM's Stewardship and Responsible Investment Report 2024](#).

Equity

We want to be a responsible owner of the companies we invest in, consistent with our Purpose-led ambition to influence real-world change. Equities are a significant part of RLMIS' investment portfolio, as set out [on page 5](#). Our Asset Management business invests in equities on our behalf.

Our Asset Management business incorporates material ESG considerations across its global equity strategies and in its UK equity investment process. This approach does not mean these investments have a specific ESG performance outcome – for details of a specific product, see the product prospectus.

Our Asset Management business also embeds consideration of ESG and carbon emissions into the quantitative models it uses to make forward-thinking and nuanced investment decisions within tilted products managed by the Quantitative Equity Solutions Team. For example, the team systematically underweights companies in its funds where the Responsible Investment team consistently votes against management on governance issues, such as executive remuneration or board composition. Its investment strategies also apply a low-carbon constraint, requiring the companies it invests in to target lower carbon emissions than the reference index. This approach has lowered the Weighted Average Carbon Intensity – a measure of intensity to carbon footprint based on revenue – of RLAM's quantitative equity portfolios by 28% since 2021.

Further details of our engagement, voting and exclusions approach for equity holdings is provided [on page 29](#).

Expeditors International

Expeditors International is a global logistics company that provides a range of supply chain solutions.

The company experienced a major cyber security attack in 2022, which raised significant concerns about its risk mitigants and cyber security management systems. In 2023, RLAM's Global Equity and Responsible Investment teams engaged to better understand its existing practices and risk controls, as well as the measures subsequently taken to address vulnerabilities.

The company's efforts to strengthen its cyber resilience entail appointing a chief information security officer, enhanced expert-recommended security protocols and regular testing of all software, including that of third parties. All employees must also undertake cyber-related training. As our Asset Management business believes there are further improvements it could make, it continues to monitor progress against its expectations.

Despite efforts to mitigate further security risks, the growing sophistication of cyber-attacks requires continuous investment and improvement to prevent future vulnerabilities. The company's software, which was once market-leading and a key driver behind its historical success, is showing signs of trailing peers. There is a risk that this could stifle future growth opportunities.

Our Asset Management business recently reduced holdings across portfolios, reflecting its lower conviction in the company's ability to invest in its infrastructure and mitigate cyber security risks. Our Asset Management business continues to monitor the company as part of its quarterly review process, alongside ongoing assessment of the company's wealth creation characteristics.

Stewardship, investment and ESG integration *continued*

Fixed income, including corporate bonds

Our fixed income allocation is invested largely in direct bond holdings and our Asset Management business’s in-house fixed income funds. It considers ESG factors to help find market inefficiencies and long-term investment opportunities that others may have overlooked, as well as to navigate risk.

Risk management is an essential part of the investment process, and our Asset Management business believes that it is only by combining the assessment of factors of liquidity and credit quality that a robust picture can be built of the risks and opportunities of any individual investment. The Credit team also works closely with its Responsible Investment team to investigate any significant ESG risks and understand how this may impact the ability for the borrower to repay.

This approach does not mean these investments have a specific ESG performance outcome, however it supports investment decisions based on many factors, including insights gained on ESG performance through direct engagement with bond issuers.

Our Asset Management business invests in bonds that meet financial expectations, while keeping ESG expectations in mind too.

Although as bondholders we are not the owners of the companies we lend to, engagement with issuers remains a key aspect of corporate bond investing. Our Asset Management business enhances how it engages with companies through close collaboration between its credit analysts and ESG specialists, as well as subject matter experts in its Responsible Investment team.

Money market instruments, such as cash, bank deposits or short-term fixed interest securities, are assessed similarly. By prioritising investment with counterparties that have good ESG credentials, our Asset Management business’s investment strategy helps enhance liquidity during times of stress to achieve consistent returns.



Centrica

Our Asset Management business met with Centrica as part of our Net Zero Engagement Programme. Centrica aims to be operationally net zero by 2045 and is committed to addressing most of its emissions by supporting its ten million customers to achieve net zero by 2050. The latest climate transition assessment conducted by RLAM’s Responsible Investment team highlighted that, in its view, the company’s climate transition plan could be more ambitious and that there is room for further improvement. The company also remains one of the weaker scorers against the Credit team’s framework.

RLAM used the meeting with Centrica as an opportunity to gain further insight into the latest actions taken as part of its transition plan, discussing various decarbonisation efforts, including the heat pumps business and opportunities for the gas storage assets to eventually store hydrogen. Another initiative discussed was the utilisation of hydrogen in electricity generation and Centrica’s partnerships in the field of hydrogen production. The aim is for hydrogen to help with the intermittency issues from renewable energy production.

Although the meeting was useful, the follow-up actions in 2025 focus on obtaining more details on carbon emissions offsets, the timing of decarbonisation measures and greater clarity in its planned actions to achieve net zero within its updated transition plan. Our Asset Management business is planning to meet with Centrica again once it releases the next iteration of its plan, and will take the opportunity to provide further feedback on areas of improvement.

Stewardship, investment and ESG integration *continued*

Property

Access to in-house property funds is a key and distinctive part of our multi asset offerings. Our Asset Management business manages RLMIS' property funds on our behalf. Through our Asset Management business, we seek to buy and develop high-quality premises, aiming to deliver strong, long-term returns to our customers.

A proactive stewardship approach is essential in identifying and mitigating environmental, regulatory and market risks, including the consideration of nature and biodiversity, and in preventing financial losses and operational disruptions. It integrates risk management into existing processes and procedures throughout the property life cycle, including acquisition, development and asset management. This framework ensures portfolios remain resilient and aligned with regulatory requirements and market expectations. Stewardship helps future-proof property investments amid evolving trends and challenges.

Additionally, there is growing evidence that ESG issues are driving premiums across the real estate market. Therefore, integrating ESG within the investment process is key to acting in the best interests of customers, reducing risk and enhancing returns.

Our Asset Management business's Net Zero Carbon Pathway for property details its commitment to achieving net zero carbon across its directly managed property assets and developments by 2030, and across its indirectly managed property assets by 2040.¹ For further details of how stewardship is integrated into property funds, see [RLAM's Stewardship and Responsible Investment Report 2024](#).

1. RLAM's corporate property ESG and climate ambitions do not guarantee any particular property fund will try to meet that objective individually. Refer to the fund objectives to check for a particular outcome.

Investing in agriculture and natural capital

Natural ecosystems can absorb and store carbon. Our Asset Management business is exploring how its property investments could support the world's stock of natural resources – such as soil and water – as well as agricultural productivity.

In January 2024, Royal London acquired 21,000 acres of prime farmland in a £260m joint venture with South Yorkshire Pension Authority. The acquisition marks the first investment by Royal London into agriculture and natural capital.

Located across Cambridgeshire and Lincolnshire, the farmland in the RLAM Natural Capital Fund² represents a highly versatile and diverse portfolio with the potential to increase agricultural output and productivity while seeking to employ new environmental strategies. Our Asset Management business, which manages the investment on behalf of Royal London, will seek to reduce environmental impact via innovation, technology and the use of sustainable and regenerative farming techniques while investigating nature-based solutions. This could include activities such as restoring hedgerows and peatland, improving water and soil quality, and installing renewable energy sources. Through lower-carbon agricultural practices, we expect this major acquisition can, in time, contribute to Royal London's net zero goals.

2. RLMIS is the majority investor in the RLAM Natural Capital Fund.

Stewardship in emerging markets

A 'tilt strategy' prioritises or de-emphasises the weight or amount held in certain stocks, based on ESG criteria. In 2024, RLAM changed the investment strategy used in the Emerging Market equity fund we use to apply a bespoke low-carbon and governance tilt instead of using a standard ESG index. This means a low-carbon and governance tilt investment strategy is now applied across all equity regions for our customers.

Previously, we also provided seed capital for RLAM's Emerging Market Corporate Bond Fund and Short Duration Emerging Market Corporate Bond Fund, which concentrate on global high yield, multi asset credit and emerging market corporate credit.

Commodities

While we do not own physical commodities, we hold exposure to commodities through commodity futures. Commodity futures enable producers and consumers to use agreed prices at a specified future date. These financial products are a type of derivative instrument that play an important role in the global economic system and provide pricing stability across crucial energy, metals and agricultural commodity markets. The sellers of commodities, for example grain farmers or mining companies, benefit from receiving a guaranteed price to sell their product, giving them more certainty and less risk of a sudden or unexpected price drop. However, these sellers miss out on the benefit if prices rise.

Commodity futures do not directly impact the production or consumption of commodities, but speculative trading by other market factors may impact commodity prices in the real economy. Investing in commodities as part of a risk-controlled multi asset portfolio provides diversification as commodity returns generally have a lower correlation with other risk asset classes. This can provide some resilience within portfolios when other asset classes, such as equities, experience periods of volatility.

Royal London is a large investor in commodities futures, having held a strategic allocation in commodities funds since 2016. In 2024, our Asset Management business continued to manage commodity allocations within the multi asset funds it manages on our behalf.

Broadening our private asset capabilities

In 2025, Royal London entered into an agreement to acquire UK-based Dalmore Capital, subject to regulatory approvals. Dalmore Capital is an infrastructure asset manager, specialising in infrastructure investments primarily within the UK.

Royal London also signed the Mansion House Accord in 2025. Signatories to the Accord pledge to achieve a minimum 10% allocation to private markets across the main default funds in their defined contribution schemes by 2030, with at least 5% of the total going to UK private markets.

These actions support Royal London's strategy to provide customers with access to a wider range of investment options to support their retirement ambitions.

Stewardship, investment and ESG integration *continued*

Voting

We actively exercise the voting rights we gain from holding shares in companies. Our Group-wide Voting Policy, which is applicable across all geographies, sets the parameters within which RLMIS and RLAM operate. This Voting Policy includes the [Royal London Voting Principles](#) and [RLAM's Voting Guidelines](#). Further detail of our voting activity and how we engage with our asset managers in relation to voting is provided on [page 41](#) under [Principle 12 \(Exercising rights and responsibilities\)](#). This includes a description of our 'Reserved Voting' process.

Our process for monitoring the voting activities of our asset managers is detailed under [Principles 8 \(Monitoring managers and service providers\)](#), [11 \(Escalation\)](#) and [12 \(Exercising rights and responsibilities\)](#).

Voting activity

Our Asset Management business takes a robust and bespoke approach to voting. Its Responsible Investment team, comprised of sustainability and ESG specialists and subject matter experts, coordinates its efforts. The Responsible Investment team works closely with investment teams to help analyse key issues, integrate ESG factors into investment processes, consult on voting, and collaborate to encourage companies to improve performance. Fund managers can question or challenge all final voting decisions before they are dispatched.

Our Asset Management business's voting and engagement activity with the companies it invests in is carried out on behalf of RLMIS as well as external clients. Its activity applies to both active and passive investments across all eligible equity funds. In addition, it engages as bondholders on behalf of RLMIS.

For further details of stewardship activity, undertaken on behalf of all clients, see [RLAM's Stewardship and Responsible Investment Report 2024](#). Its voting records can also be viewed on the [Responsible Investments Voting Records webpage](#).

Engagement

As described in [Principle 1 \(Purpose, strategy and culture\)](#), one of our Purpose outcomes is to play our part in moving fairly to a sustainable world. Royal London has four climate-related commitments that contribute towards achieving this Purpose outcome, one of which focuses on engaging with policymakers, the companies we invest in, our peers and other stakeholders.

To guide proactive engagement with the companies in which we invest, we inform asset managers of the engagement themes we require them to follow for our segregated mandates, and that we request they follow in their pooled funds.¹ We also engage with our asset managers to ensure material ESG considerations are integrated across our portfolio. For further details, see [Principle 9 \(Engagement\)](#).

1. Segregated mandates are assets invested by an appointed asset manager on instruction from an investor on a discretionary or non-discretionary basis and held separately from other clients' assets. Pooled funds are where assets are held on a collective basis on behalf of a number of investors and managed according to a single, defined investment objective.

We also proactively engage with policymakers on three priority action areas, which support our engagement themes. These policymaker priorities help guide our engagement towards specific outcomes. For further detail of our priority action areas, see [page 15](#) in [Principle 4 \(Promoting well-functioning markets\)](#).

Exclusions

We prioritise engagement over divestment, but our Exclusions Policy sets out some activities that we exclude from all RLMIS investments. In accordance with our Exclusions Policy, no fund within our segregated mandates will knowingly invest in corporate equity and/or debt of a company or group involved in the manufacture and sale of cluster munitions, anti-personnel landmines, or biological and chemical weapons. While we recognise that we cannot compel the managers of our pooled funds to conform to the RLMIS Exclusions Policy, we monitor their alignment with it, as described in [Principle 8 \(Monitoring managers and service providers\)](#). As well as applying our Exclusions Policy, investments backing our Bulk Purchase Annuities business exclude investment in tobacco companies. Some funds we offer to customers may also make additional exclusions, such as RLAM's sustainable fund range.

We continue to monitor our customers' preferences, as described in [Principle 6 \(Client and beneficiary needs\)](#), and keep our Exclusions Policy under review. In 2025, we will develop a Group-wide Exclusions Policy to provide a consistent approach to exclusions across Royal London. As part of developing our approach to investing in fossil fuels, we will also implement an exclusion to companies heavily involved in thermal coal. For further details, see [Royal London's Fossil Fuels Position Statement](#) on our website.

For detail of why we prefer to stay invested with certain industries and prefer engagement, before escalating to exclusions or divestment, see [Principle 11 \(Escalation\)](#).

Sustainable funds

Our Asset Management business has a long-term track record in responsible and sustainable investing. Its sustainable fund range focuses on companies that it believes will make a positive impact on society. While navigating challenging markets, it is optimistic about the ability of sustainable companies to deliver strong returns over the long term.

RLAM's sustainable fund range adopted the UK SDR 'Sustainability Focus' label on 20 June 2025. In addition, eight of RLAM's UK domiciled funds were classified non-labelled funds with ESG characteristics under the FCA's Sustainability Disclosure Requirements (SDR) and Investment Labels Regime. This demonstrates a commitment to help investors navigate the evolving regulatory landscape. It also illustrates how our Asset Management business is committed to being a responsible investor and aims to help its clients make informed decisions. For further detail of RLAM's sustainable fund range, see [our website](#).

Principle 8 – Monitoring managers and service providers

Signatories monitor and hold to account managers and/or service providers.



Asset manager selection

When selecting and considering whether to adopt new external asset managers, RLMIS – as an asset owner – has a formal assessment covering its standards, expectations and requirements. One part of this assessment asks asset managers to outline their responsible investment and climate change activities. They complete an enhanced RICC due diligence questionnaire to provide a baseline assessment against a range of ESG topics aligned with our Responsible Investment and Stewardship Policy, including exclusions, voting, engagement, ESG integration, and climate change factors.

New asset managers are required to be signatories to the UK Stewardship Code 2020 and the UN PRI, demonstrating commitment to these standards. To ensure alignment with Royal London's climate commitments, we have historically required these asset managers to be signatories to the Net Zero Asset Managers (NZAM) initiative. In early 2025, NZAM suspended its activity and announced a review of the initiative in light of changing regulatory and client expectations. While we await the outcome of the review, confirmation has been obtained from our key asset managers that they continue to demonstrate an equivalent level of standards in their climate commitments.

RLMIS considers additional expectations when deciding whether to onboard or retain key asset managers (those asset managers who manage over £100m each on our behalf) and Matrix fund asset managers. RLMIS assesses the Group's key asset managers against the following criteria on a 'comply or explain' basis:

- develop a climate transition plan and demonstrate progress against climate commitments
- exercise voting rights on all eligible investments and ensure voting takes the principles of the Group Voting Policy into consideration
- exercise exclusions on all eligible investments and ensure relevant companies are excluded in line with the principles of our Exclusions Policy
- set clear investor engagement priorities on climate change, taking into consideration the level of influence (the size of their investments) and the materiality of climate change to company risk and performance.

These criteria are considered alongside a broader set of expectations and requirements, with the Investment Committee holding responsibility for final approval of the appointment of key asset managers.

Asset manager oversight

We use the Asset Manager Oversight Framework to assess and monitor our asset managers' responsible investing activity and performance. This framework has three pillars:

- Performance
- Responsible Investment and Climate Change (RICC)
- Operations

To oversee our responsible investment and climate-related activity, we apply the RICC Asset Manager Oversight Framework. This framework focuses on policy, resources, ESG integration, climate, and stewardship aspects including voting, engagement and exclusions (see Figure 2, with further information set out on the next page). This framework splits RLMIS' asset managers across three tiers of oversight, in line with the materiality of our exposure (see Figure 1). Each level determines the frequency and sophistication of oversight activities.

For Tier 1 and 2 managers we apply an enhanced level of oversight, including asking asset managers to 'comply or explain' when any material concerns are identified. We conduct a baseline assessment through an enhanced RICC due diligence questionnaire covering topics included under the RICC Asset Manager Oversight Framework. This enhanced questionnaire is issued annually to all asset managers across Tiers 1 and 2. The responses are reviewed and scored, and any issues for discussion and challenge are raised in the biannual stewardship meetings, conducted with RLAM and our Tier 2 key asset managers. Any issues identified for Matrix fund manager responses are raised on an exception only basis. Currently, RLAM is the only asset manager that we categorise within Tier 1.

All Tier 3 asset managers receive a standard due diligence questionnaire, which includes a number of RICC questions. These are reviewed and scored, with any issues identified raised on an exception only basis.

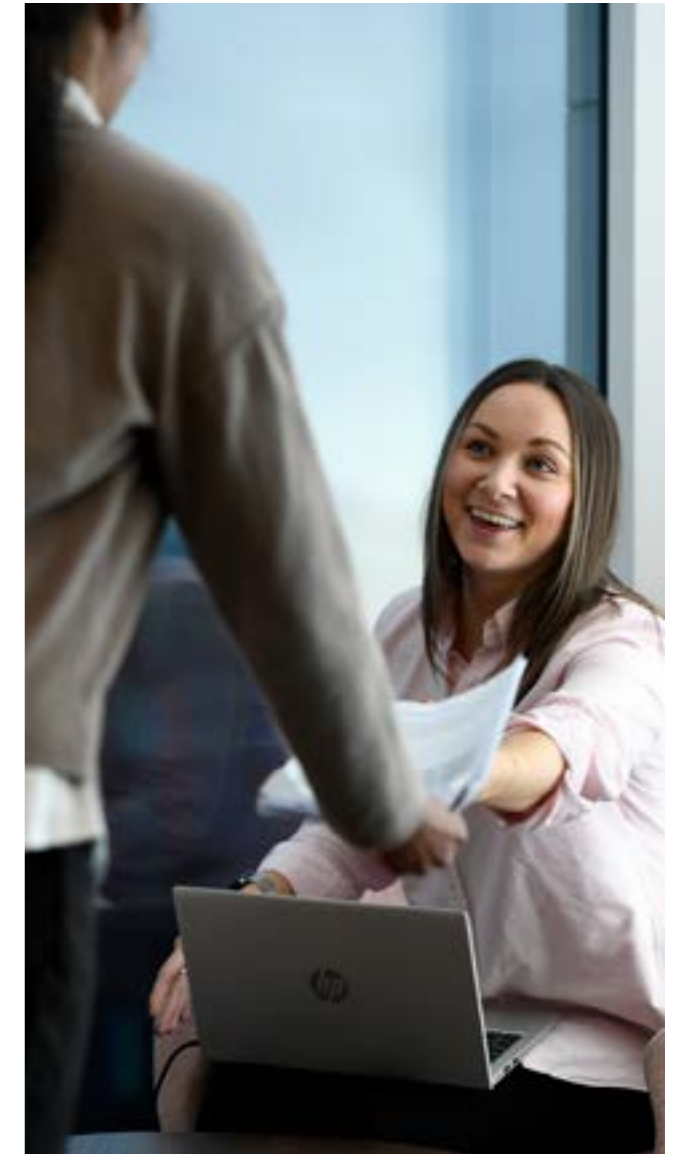
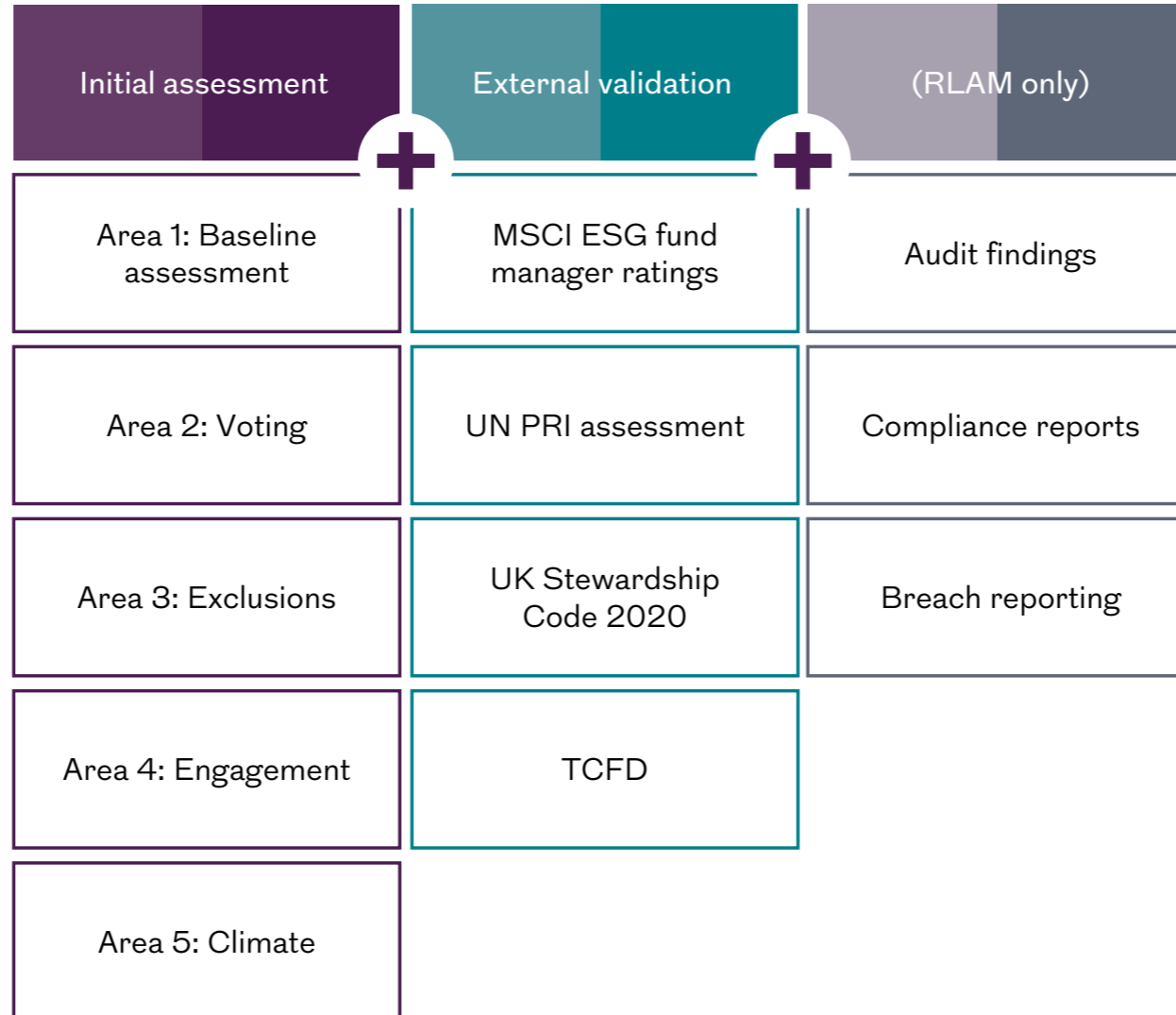
Monitoring managers and service providers *continued*

Figure 1: Asset manager oversight tiers¹

<p>Tier 1 Royal London Asset Management RLAM, which manages over 95% of our customers' assets, is subject to Tier 1 'advanced monitoring' arrangements, in addition to the baseline arrangements applied to Tier 3 asset managers.</p>
<p>Tier 2 Key asset managers Key asset managers (those asset managers who manage over £100m on behalf) and Matrix fund asset managers. These managers are subject to 'enhanced oversight' arrangements, in addition to the baseline arrangements applied to Tier 3 asset managers.</p>
<p>Tier 3 All asset managers All asset managers with RLMIS customer investments who do not meet the criteria to be classified as Tier 1 or Tier 2. These managers are subject to 'baseline oversight' arrangements.</p>

1. During 2024, we made adjustments to this terminology. 'Tier 3' was previously the label we applied to our Asset Management business which is subject to advanced monitoring arrangements – we now use 'Tier 1' as the label for this. 'Tier 1' was previously the label we applied to asset managers subject to baseline oversight arrangements – we now label these arrangements as 'Tier 3'. In addition, we also began including Matrix Fund asset managers under Tier 2 during 2024.

Figure 2: The RLMIS RICC Oversight Framework



Monitoring managers and service providers *continued*

Monitoring RLAM

The performance of RLAM is subject to RLMIS' highest level of oversight due to the high proportion of RLMIS assets that it manages.

We implement two assessments to ensure RLAM's appropriateness to manage the majority of our assets. The first is an ongoing review of its responsible investment capabilities, conducted in line with our RICC Asset Manager Oversight Framework. This involves enhanced questionnaires, assessment and ongoing monitoring of RLAM's responsible investment activity.

The second assessment is a triennial assessment of its suitability. Every three years, RLMIS performs a more detailed review of RLAM, consolidating all the ongoing oversight we perform, which includes RICC considerations. The last assessment was completed in 2022, with the next assessment due in 2025.

Monitoring our Tier 1 and Tier 2 asset managers

In addition to the enhanced RICC due diligence questionnaire, we receive supplementary information and data for Tier 1 and Tier 2 asset managers. This identifies any areas for discussion or challenge in formal biannual stewardship meetings with these asset managers. We undertake further analysis for the following areas:

- **Voting:** RLAM's approach to voting is reflected in our Group Voting Policy. For Tier 2 asset managers, quarterly voting data and significant voting data is analysed. Any exceptions identified are discussed at biannual stewardship meetings. In addition, the voting policies of Tier 2 asset managers are compared against our Group Voting Policy, with those asset managers confirming on a 'comply or explain' basis that they align to our policy.
- **Exclusions:** Analysis of exclusions data including a quarterly review of underlying securities within the funds we invest is conducted against the RLMIS exclusion list. Exceptions are reported to the asset manager as appropriate on a 'comply or explain' basis. The exclusions policies of Tier 1 and Tier 2 asset managers are also compared against ours, with asset managers confirming on a 'comply or explain' basis that they align to the RLMIS Exclusions Policy.
- **Engagement:** RLAM's approach is reflected in our Responsible Investment and Stewardship Policy. Tier 2 asset managers' engagement policies, priorities, escalations and reporting processes are reviewed on an ongoing basis.
- **Climate:** In addition to the climate aspects that are covered through the RICC baseline assessment, our Tier 1 and Tier 2 asset managers are also assessed on their climate target disclosures, and progress towards net zero and integration of climate transition risk into their investments. For Tier 2 asset managers, we also assess their TCFD disclosures.

As RLAM sits within Tier 1, additional validation is undertaken to gain further insight into its activity. Audit findings, compliance reports, breach reporting and other similar sources of information are reviewed.

Formal biannual stewardship meetings are conducted across RLAM and Tier 2 asset managers, including output from the RICC Asset Manager Framework supported by analysis of MSCI data for the funds that they hold on behalf of RLMIS. These meetings discuss:

- key metrics from the RICC Oversight Framework, including the main areas of voting, exclusions, engagement and climate, as well as expectations such as monitoring progress towards net zero commitments
- any changes to our policies, procedures or stewardship requirements
- any current or upcoming regulatory changes and the outcome of monitoring activities.

Monitoring our Tier 3 asset managers

All Tier 3 asset managers receive a standard due diligence questionnaire, which includes a number of RICC questions. Based on the responses, any areas for challenge are actioned by exception only.

Progress in 2024

During 2024, we tracked key metrics to assess the progress of RLAM and our Tier 2 asset managers against the Responsible Investment and Climate Change Asset Manager Oversight Framework.

Through biannual stewardship meetings, we confirmed that asset managers who manage RLMIS assets are signatories of the UK Stewardship Code 2020 and UN PRI and are either signatories of NZAM¹ or demonstrate an equivalent level of standards in their climate commitments. As part of these meetings, key asset managers confirmed the level of alignment with the Group Voting and RLMIS Exclusion Policies.

We continued to enhance our RICC Asset Management Oversight Framework in 2024. To improve the baseline assessment (see Figure 2), RLMIS refined questions within its enhanced RICC due diligence questionnaire, based on regulatory and industry insights. These questions cover topics including responsible investment activities, ESG integration, governance arrangements, voting practices, exclusions criteria, climate, stewardship and engagement activities. This will enable us to better engage and challenge our asset managers on these topics, where applicable. RLMIS also introduced a rating system across Tiers 1 and 2 for progress against the RICC assessment areas of voting, exclusions, engagement and climate (see Figure 1). These ratings, produced using qualitative and quantitative analysis, enable us to compare between asset managers, facilitating a deeper understanding of their performance. Overall, our assessment through 2024 confirmed RLAM and our Tier 2 asset managers were aligned to our stewardship outcomes.

As industry data quality and policy expectations evolve, we will continue to refine RLMIS' RICC Asset Management Oversight Framework to reflect good practice. Looking ahead to 2025, we are focusing on asset manager engagement to enhance our understanding of their priorities, frameworks for engaging with companies in which they invest, and how they monitor and track progress as part of these frameworks.

1. In early 2025, NZAM suspended its activity and announced a review of the initiative in light of changing regulatory and client expectations. RLAM has not changed any of its activities as a consequence of this suspension and has responded to the consultation. Two of our six key asset managers (as at October 2025) have relinquished signatory status to NZAM, prior to the suspension, although they have demonstrated an equivalent commitment to climate goals. Our view is that asset managers have entered a holding pattern as they assess the climate transition positioning and activities, awaiting the outcome of the NZAM review.

Monitoring managers and service providers *continued*

Consideration of climate risk

We manage climate risks in aspects of our investment processes in collaboration with our Asset Management business, including by setting strategic asset allocations. We also aim to develop investment solutions that will enable customers and clients to align their investments to the low-carbon transition.

To help oversee aspects of climate risk, in particular transition risk,¹ we monitor and assess our asset managers' responsible investing activity and performance against the requirements of our Asset Manager Oversight Framework. As part of our RICC Oversight Framework, we assess our key asset managers against the following criteria on a 'comply or explain' basis:

- develop a climate transition plan and demonstrate progress against climate commitments
- exercise voting rights on all eligible investments and ensure voting takes the principles of our Group Voting Policy into consideration
- exercise exclusions on all eligible investments and ensure relevant companies are excluded in line with the principles of our Exclusions Policy
- set clear investor engagement priorities on climate change, taking into consideration the level of influence (the size of their investments) and the materiality of climate change to company risk and performance.

These criteria are considered alongside a broader set of expectations and requirements, with the Investment Committee holding responsibility for final approval of the appointment of key asset managers.

1. Transition risks are risks arising from the transition to a low-carbon economy.

Monitoring service providers

As outlined in [Principle 2 \(Governance, resources and incentives\)](#), we use MSCI and AssetQ as data providers to strengthen our asset manager monitoring capability, and Moody's Analytics to support scenario modelling.

All our service providers are monitored in line with our Procurement and Third-Party Management Policy. This policy ensures that all goods and services are procured and governed in a way that:

- manages risk and costs while delivering good value
- complies with all relevant regulations
- protects Royal London customers and operations from supply chain disruption.

The policy requires compliance with minimum standards designed to ensure that an appropriate level of oversight and governance is in place. These minimum standards include the completion of inherent risk assessments, contract record-keeping requirements and oversight of suppliers.

We monitor the services provided by MSCI, AssetQ and Moody's Analytics in line with these procedures. Based on insights from previous monitoring, we continue to take the following steps:

- We hold quarterly meetings with our primary provider of financed emissions data, MSCI, to discuss data quality, sample checks, data sourcing and transparency of sourcing, coverage, data methodology and new solutions under development. As our data requirements increase, we continue to explore data offerings for insights into nature and biodiversity impacts from MSCI and other data providers.
- We continue to collaborate with AssetQ, which has enhanced its standard questionnaire to asset managers by incorporating a broader range of sustainability-focused questions. This development allows us to strengthen our baseline assessments.
- We hold quarterly calls with Moody's Analytics to review the services provided, discuss model updates, and ensure that assumptions used within modelling align with our investment views.

Principle 9 – Engagement

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



Our approach

As the UK's largest mutual life, pensions and investments company, we seek to use this position to influence the behaviour of policymakers, companies we invest in, our peers and other stakeholders to benefit our members, customers, clients and wider society.

As an asset owner, we inform key asset managers of the engagement themes that we want them to prioritise on our behalf, and we reserve the right to decide on the exclusions that are important to our customers and clients. Our Asset Management business undertakes stewardship and engagement activity with investee companies on behalf of the Group and its external clients. We follow an 'engagement first' approach for our investments, where we remain invested so that we can attempt to positively influence and collaborate with companies. However, if an investee company is not making material progress or there is a risk of poor outcomes for customers, we expect our asset managers to escalate activities – see [Principle 11 \(Escalation\)](#).

We engage with policymakers through membership of industry bodies and other collaborative opportunities, recognising that financial institutions cannot deliver on their climate ambitions without clear leadership from policymakers. See [Principle 4 \(Promoting well-functioning markets\)](#) for further details, including our policymaker engagement priorities.

Asset classes

As described in [Principle 7 \(Stewardship, investment and ESG integration\)](#), our Responsible Investment and Stewardship Policy is applied in different ways depending on the asset class. We recognise that good practice in investee engagement is still evolving in certain asset classes, particularly beyond listed equity and corporate debt. As perspectives on good practices develop, we continue to explore how we can support our asset managers in expanding the scope and effectiveness of engagement to other asset classes.

Voting

We require our key asset managers to exercise voting rights on all eligible investments and ensure voting takes the principles of our Group Voting Policy into consideration. As Royal London applies a Group-wide voting policy, our Asset Management business's approach to voting is reflected in the Policy. In addition, the voting policies of Tier 2 asset managers are also compared against our Group Voting Policy, with those asset managers confirming on a 'comply or explain' basis that they align to it. For further details of our Group Voting Policy, see [Principle 12 \(Exercising rights and responsibilities\)](#).

Engagement priorities

Regular ongoing engagement with policymakers, the companies in which we invest, and other stakeholders is a key element of good stewardship. Our engagement takes two forms: we seek to influence the behaviour of stakeholders, and we also request information that helps us identify where change is needed.

Our Group-wide themes

We have two engagement themes that we prioritise across all Group engagement activity: climate change and inclusion (focused on a just transition). These themes, which are regularly reviewed, are set by considering our Purpose, customer and client research, our Responsible Investment and Stewardship Policy, and insights from our Asset Management business.

We also proactively engage with policymakers and other industry groups on three priority action areas, which support our engagement themes: developing the UK's long-term infrastructure strategy; catalysing blended finance opportunities; and helping to move from a focus on cost towards value considerations. These action areas have helped guide our engagement towards specific outcomes. We will next review our engagement themes in 2025. For further detail, see [Principle 4 \(Promoting well-functioning markets\)](#).

Our Asset Management business's themes

In addition, our Asset Management business has its own themes, which are refreshed biannually, on which it prioritises engagement activity. The themes, presented in Figure 4, align with the Group's themes, as well as the needs of other Asset Management clients. Each refresh considers the Group's engagement themes, reviews emerging trends and involves extensive consultation with internal investment teams, responsible investment analysts, clients and other stakeholders. Further detail on engagement is [on page 35](#).

Figure 4: Our Asset Management business's engagement themes for 2024-26



Climate change

- Transition to global net zero emissions
- Adaptation to climate change



Social and financial inclusion

- Just transition
- Financial inclusion
- Human rights and modern slavery



Health

- Mental health
- Health equity and community health



Innovation, technology and society

- Cyber security
- Technology and society



Governance and corporate culture

- Good governance, purpose and culture
- Diversity



Nature and biodiversity

- Biodiversity restoration and conservation
- Nature

Engagement *continued*

Engagement through RLAM



We engage with the companies in which we invest through our Asset Management business. It chooses which companies to engage with based on whether engagement addresses one or more of these criteria:

- addresses a principal adverse ESG impact or poor governance
- meets the needs and expectations of clients
- is material and relevant to investment decisions
- aims to drive beneficial investment and societal outcomes
- is likely to have a positive effect on society and the environment
- has the potential to impact corporate ESG or financial performance or reduce risk
- raises best practice standards within a sector or market
- adds value in advancing thought leadership and good governance.

For further details of our Asset Management business's approach, see [RLAM's Stewardship and Responsible Investment report 2024](#).

Communicating our engagement priorities

We maintain regular engagement with RLAM, our key asset managers and Matrix fund asset managers to ensure our priority themes are embedded within their processes and decision making. Our expectations are clearly set out through our Asset Manager Oversight Framework and reinforced during stewardship meetings, as described in [Principle 8 \(Monitoring managers and service providers\)](#). This may include raising concerns or issues on specific topics, or with our asset managers' engagement activities.

In 2024, we discussed our engagement themes with our key asset managers, asking for evidence of their alignment. As part of the Group's ongoing commitment to responsible investment, Royal London has continued to strengthen ESG research capabilities within our Asset Management business. Acting on our behalf, it engages directly with investee companies to promote sustainable practices and long-term value creation. This gives us access to these companies' management groups and, in turn, increases our ability to gain valuable insights into how these companies manage key ESG issues.

In 2025, we are focusing on our asset managers' engagement activities, including enhancing our understanding of asset managers' priorities, the information they gather on engagement activity, how they report on engagement activities, and their escalation processes.

For detail on how we have understood and responded to our customers needs in our stewardship approach, including how we have communicated to them, see [Principle 6 \(Client and beneficiary needs\)](#).

Monitoring our asset managers' engagement activities

As detailed in [Principle 8 \(Monitoring managers and service providers\)](#), our approach to overseeing the effectiveness of our asset managers' engagement activities depends on the proportion of assets that they manage on our behalf.

Monitoring RLAM's engagement activities

We review RLAM's progress against our engagement themes at biannual stewardship meetings. Output from these meetings is reported in line with the RLMIS Investment Governance framework, including the management-level Investment Strategy Committee and Board-level With Profits and Investment Committees.

In 2024, our Asset Management business held 724 engagements with 464 investee companies, which addressed 21 unique ESG topics. Of these engagements, 263 were climate-related. As part of this activity, it also engaged with 40 companies as part of its Net Zero Stewardship Programme, accounting for 54% of financed emissions, and engaged with 38 companies on topics related to the just transition. Further detail on RLAM's engagement and the Programme is set out [on pages 37 and 40 in Principle 10 \(Collaboration\)](#) and [Principle 11 \(Escalation\)](#), respectively.

Voting engagement letters represent an effective tool for inviting further dialogue with companies. As part of managing RLMIS assets, our Asset Management business proactively sends letters to companies where it votes against management, including the rationale for its position.

This process is carried out on its behalf by Glass Lewis following submission of a vote. In 2024, our Asset Management business voted on more than 3,580 meetings across 56 markets, with 186 voting engagement letters issued. It also issued three letters to governments encouraging climate policies and net zero strategies, and responded to three consultations on sustainability policy, reporting standards and regulation.

More information on engagement carried out in 2024 on our behalf, as well as on the methods used and the outcome of that engagement, is described in [RLAM's Stewardship and Responsible Investment Report 2024](#).

Monitoring the engagement activities of our Tier 2 asset managers

To establish if there are differences to our own policies and expectations, we review our Tier 2 key asset managers' engagement policies, priorities, escalations and reporting processes on an annual basis. We obtain this information through our enhanced RICC due diligence questionnaire, which is issued annually to these managers ([see page 30](#)). In addition, biannual stewardship meetings with our Tier 2 key asset managers provide an opportunity to discuss their engagement approaches, any differences identified and obtain recent examples of engagement activity linked to our engagement themes.

Engagement *continued***Rio Tinto**

As policymakers and customers shift demand to lower-carbon steel, companies may face transition risks if they are unable to decarbonise their production processes in line with expectations. Iron ore miners need to improve their ore quality or develop techniques to reduce emissions in traditional steelmaking.

Our Asset Management business engaged with Rio Tinto to outline expectations for its climate action plan, which was published in December 2024. Steelmaking accounts for 65% of the company's annual total emissions, and the need for a more detailed approach to decarbonisation than its previous plan outlined was stressed.

While the company was initially hesitant about setting binding emissions reduction targets, it has subsequently set a number of emissions reduction targets and revealed research and development projects to pioneer green steel technologies.

UPM

Our Asset Management business has started to engage with companies to improve their stewardship of nature, encouraging them to enhance their knowledge, management and disclosures to protect our environment.

UPM is a Finnish forestry company that produces paper and wood products, biofuels and energy. Given the company's significant impact on nature, our Asset Management business's engagement sought to understand its board's oversight, how it is assessing its environmental impact and whether it is willing to set nature-related goals.

Responsible forestry

At a meeting in September 2024, our Asset Management business learned that the company's executive vice president of stakeholder relations oversees responsibility for its nature and biodiversity strategy. The company's strategy extends beyond deforestation risk and embraces responsible forestry. UPM also spoke about its Biofore approach, which puts the bioeconomy and sustainable growth at the heart of its strategy and focuses on renewable products.

Data is complex

UPM has engaged in piloting and providing feedback on the Science-Based Targets for Nature methodology. The company faces significant challenges in disclosing value chain data due to the complexity and the lack of comprehensive data from its extensive network of 20,000 suppliers. However, it is actively working towards obtaining the relevant data which would help provide clarity around nature loss.

Restoring and protecting ecosystems

UPM has committed to restoring over 3,000 hectares of peatland and 500km of stream waters. UPM's own managed forests are certified by the Forest Stewardship Council (FSC) and/or the Programme for the Endorsement of Forest Certification (PEFC).

While UPM's own land represents only a small percentage of its supply, it has held FSC chain of custody certification since 2009. This allows it to state the amount of certified fibre in its products and guarantee the absence of materials from areas of high conservation value.

Additionally, UPM is focusing on preserving deadwood, which provides habitats and food for wildlife. The preservation of deadwood is one of UPM's biodiversity indicators, which the company reports annually.

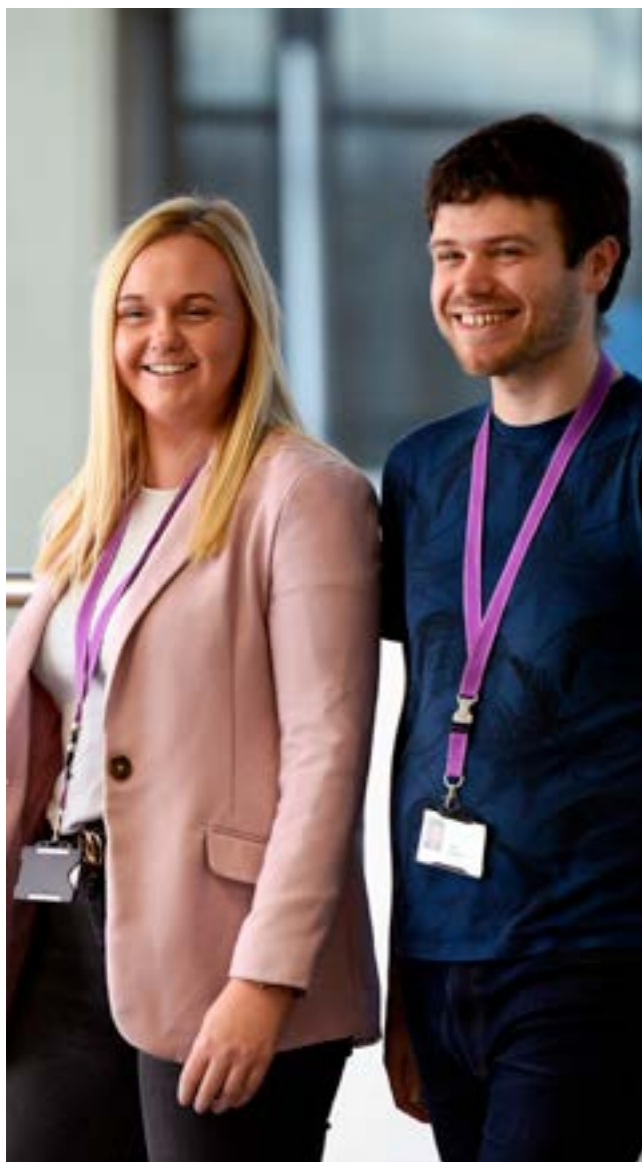
Expectations and next steps

As part of Nature Action 100's investor expectations, our Asset Management business wants the company to publish a Taskforce on Nature-related Financial Disclosures (TNFD) report. UPM confirmed it has been testing TNFD reporting and is already using this framework. In addition, our Asset Management business will continue to advocate for the setting of specific targets, looking for UPM to set time-bound, context-specific, science-based targets informed by risk assessments on nature-related dependencies, impacts, risks and opportunities.



Principle 10 – Collaboration

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



Our approach

We collaborate with others to play our part in moving fairly to a sustainable world. Financial institutions cannot create a more sustainable world on their own. It will require clear leadership from policymakers and action from all asset managers, asset owners, companies and sectors around the world.

As an asset owner, we focus on engagement with policymakers, rather than direct engagement with issuers, which is carried out by our asset managers on our behalf, as described in [Principle 9 \(Engagement\)](#).

We engage with policymakers and regulators to help support the transition to a low-carbon economy, in a way that considers the impact on society and our customers. Our policymaker engagement priorities are set out in [Principle 4 \(Promoting well-functioning markets\)](#).

We collaborate with other institutional investors, both as an asset owner as well as through our Asset Management business. During 2024, we led and participated in a number of industry forums and collaborative initiatives focused on reducing and mitigating the effects of climate change, as described in [Principle 4 \(Promoting well-functioning markets\)](#). We expect our other asset managers to collaborate with institutional investors (where appropriate and subject to this not being unlawful) to progress our engagement themes.

Collaborative engagement through our Asset Management business

Most of our company engagement meetings, which are conducted by our Asset Management business, are directly with the companies we invest in. However,

there are instances where collaborating with other organisations to influence company behaviour can lead to more effective engagement.

RLAM considers collaborations on a case-by-case basis, ensuring compliance with relevant regulations such as market abuse and competition law. It favours collaborative engagement in specific circumstances. For example, when a company has not responded to direct engagement, if the issue is grave enough to warrant a collective approach, or when partnering with other shareholders or bondholders can provide better access to management or the board and amplify RLAM's influence.

Collaboration in 2024

We collaborate with our Asset Management business on issues that align to our investment beliefs. When conducting stewardship activities, our Asset Management business complies with the Royal London Responsible Investment and Stewardship Policy. Examples of our collaborative engagement activities during 2024 include:

- **Sharing expectations for a just transition in the banking sector:** Together with Border to Coast Pensions Partnership and Friends Provident Foundation, in 2024 RLAM published guidance sharing investor expectations for how banks can integrate just transition considerations into credible climate transition plans. The work underpins its long-term engagement with four UK banks – Lloyds, NatWest, HSBC and Barclays – and aims to turn ambition into action by providing clear expectations. Since publication, our Asset Management business has held follow-up meetings with all four banks, and feedback has been generally positive. Challenges were highlighted, including how banks in emerging markets can apply just transition considerations, and our Asset Management business is collaborating with other investors to investigate this.

- **Requesting just transition plans from NatWest:** At the 2024 AGM, our Asset Management business asked NatWest's board to explicitly integrate just transition into its strategy and plans, in collaboration with Border to Coast Pensions Partnership and Friends Provident Foundation. Our Asset Management business was thanked for its continued engagement and the chair shared that NatWest intends to lead on the topic. It held two meetings on either side of the AGM, to discuss the challenges of developing an approach recognised by investors without risking a 'say-do' gap, when intentions do not correspond with actions or behaviours. Companies' disclosures are facing increased regulatory scrutiny, but it was highlighted to NatWest that a reluctance to disclose might also prevent positive recognition with customers and investors alike. The company highlighted RLAM's investor expectations as a useful guide for them to follow.
- **Supporting board diversity:** As a member of the 30% Club and co-chair of the UK Investor Working Group, our Asset Management business engaged with FTSE 250 companies that had not met the Parker Review's recommendation of having at least one ethnic minority director on their board by the end of 2024. It met the board chair at AJ Bell, the online investment platform and stockbroker, to discuss its progress. Later that year, the company appointed a director and now meets the Parker Review recommendations.

For further details of the collaborative engagements carried out in 2024 on our behalf, and the outcomes of those engagements, see [RLAM's Stewardship and Responsible Investment Report 2024](#).

Principle 11 – Escalation

Signatories, where necessary, escalate stewardship activities to influence users.

Our escalation mechanisms

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

For our listed equity and corporate fixed income investments we follow an ‘engagement first’ rather than ‘divestment first’ approach for our investments because we believe that engagement with investee companies on climate issues will deliver greater real-world impact – as, once divested, it is much harder to influence change. If an investee company is not making material progress, we expect our asset managers to escalate activities. Examples of escalation are provided later in this chapter.

Our Responsible Investment and Stewardship Policy sets out how we expect asset managers to steward our customers’ and clients’ money appropriately. The policy includes escalation activities, where necessary, and applies equally to all our investments, across all geographies, though in practice the application varies by asset class, reflecting the variety in good practice and available opportunities. We monitor performance against this policy and other considerations using our Asset Manager Oversight Framework to confirm our required standards are met. This framework includes the requirement for us to request examples of our Tier 1 and Tier 2 asset managers’ engagement and escalation activities, which may include ongoing engagement. For further details of how we monitor and classify our asset managers, see [Principle 8 \(Monitoring managers and service providers\)](#). For detail of our Responsible Investment and Stewardship Policy, see [page 18](#).



Escalation by our Asset Management business

If a company in which we invest does not respond to engagement requests on ESG issues, this may pose a risk to our customers’ investments. We work with our Asset Management business to identify these risks as part of our oversight process. Its escalation approach is a critical part of the engagement strategy across equities and credit. It acts when faced with companies that are unresponsive to engagement or fail to address material risks, yet have significant, persistent or intractable ESG issues.

Potential actions that can be taken by our Asset Management business to escalate on our behalf, include:

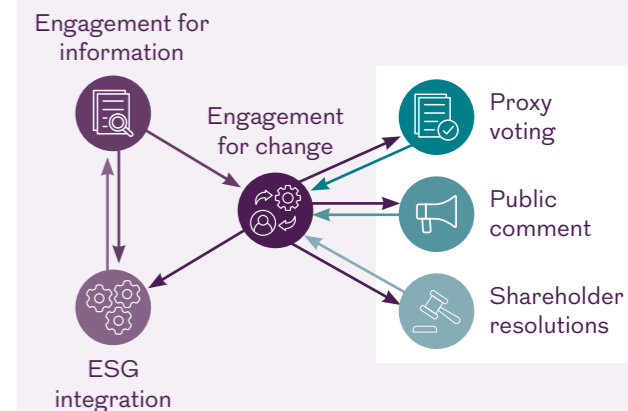
- **Internal escalation:** RLAM first escalates issues to its Head of Desk, its Chief Investment Officer and its Head of Responsible Investment to determine subsequent actions.
- **Investment Committee reporting:** If an engagement is escalated, the decisions and actions are reported to the RLAM Investment Committee.

Our Asset Management business may also take direct firm-level actions:

- **Senior-level engagement:** Matters may be escalated to the company’s chair or senior executives.
- **Shareholder voting:** Votes at annual or general meetings may be used to influence directors or management.
- **Shareholder resolutions and public comments:** Shareholder resolutions may be filed or co-filed, or public statements issued when appropriate.

All engagement activities are used to ensure we are acting in the best interest of our customers. Figure 5 illustrates the escalation process relating to engagement.

Figure 5: Our Asset Management business’s engagement approach



Escalation *continued*

Vistry Group Plc



Governance concerns

Concerns around UK house builder Vistry Group began in 2023. There was talk of pressure from certain shareholders to make significant changes to its remuneration and adopt a more US-style approach to pay. This was followed by the successive departures of two non-executives who had served on its remuneration committee. Our Asset Management business spoke to Vistry's chair and voiced concerns at the time but supported his re-election in May 2023 with the aim of further engagement.

The new remuneration policy was voted on in August 2023, and our Asset Management business voted against it along with almost 45% of shareholders.

Further deterioration

In January 2024, it was announced that Vistry's chair would be stepping down, with the current CEO assuming the combined role of executive chair. This is contrary to accepted practice in the UK and raised concerns over power concentration and conflicts of interest. RLAM and around 20% of shareholders voted against his re-election in May 2024, which is a high vote against by UK standards.

Our Asset Management business spoke to Vistry again to reiterate serious concerns with the arrangement. The company, however, maintains that this structure will bring stability in the near term and plans to return to a more standard arrangement in a few years when the CEO retires.

Consequences

As a result of these events and the failure to produce any improvements through engagement, the company's governance risk is considered to have increased. Consequently, several of our investment teams reduced their holdings in the company during 2024.

Voting

One way in which we can escalate matters of concern as an asset owner is by exercising the voting rights we gain from holding shares in companies. Our Group-wide Voting Policy sets the parameters within which asset owners and asset managers should operate. For further detail of our Voting Policy and how our key asset managers vote on our behalf, see [Principle 12 \(Exercising rights and responsibilities\)](#).

Reserved Voting Forum

Our Reserved Voting Forum, largely comprising executive and non-executive directors, is an advisory body to both the Group CEO and the RLAM Limited CEO. The Forum considers and provides voting advice in respect of any votes that are judged to be high risk and/or sensitive resolutions proposed by investee companies or their shareholders. It also enables us to direct votes on resolutions related to segregated mandates managed by our Asset Management business. In 2024, the Reserved Voting Forum considered six investee company resolutions. For further information on voting activity, including examples of escalation, see [Principle 12 \(Exercising rights and responsibilities\)](#).

Escalation *continued*

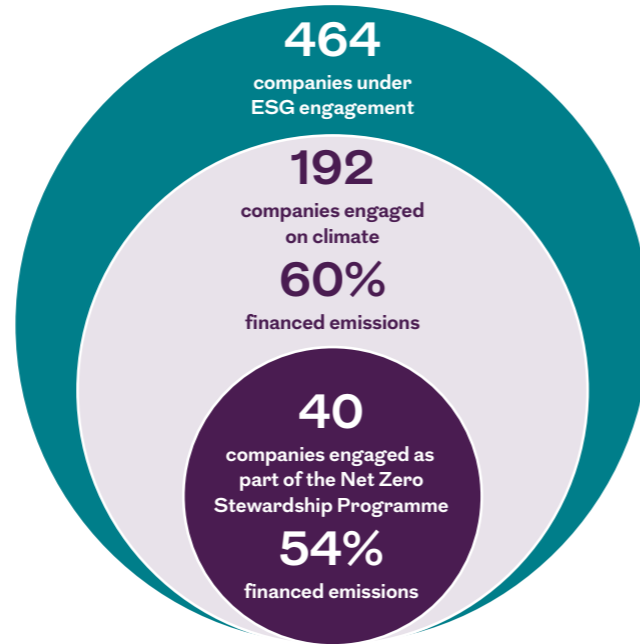
Net Zero Stewardship Programme

Engagement is an integral part of our Asset Management business’s approach to drive decarbonisation at the constituent level of its funds. It aims to engage with companies that represent 70% of its financed emissions (Scopes 1, 2 and 3) from corporate fixed income and listed equity assets by 2030.

Our Asset Management business’s Net Zero Stewardship Programme has six pillars, including engagement and voting. It promotes the transformation of businesses to support a low-carbon future in alignment with the Paris Agreement. Through this programme, our Asset Management business advocates for companies to establish emissions reduction targets using science-based, sector-specific methodologies, such as those recommended by the Science-Based Targets initiative, and to develop credible climate transition plans. For companies without a credible plan, we will challenge ourselves on whether that investment offers the outcomes that our customers and clients expect.

In 2024, our Asset Management business carried out 263 engagements on climate change. As shown in Figure 6, it engaged with 192 companies, representing 60% of its financed emissions in 2024. Companies were engaged with either directly or through collaborative partnerships with other investors. As part of the engagements related to climate change, the Net Zero Stewardship Programme targeted 40 of the highest-emitting companies across RLAM’s corporate fixed income and listed equity funds, accounting for 54% of financed emissions (Scopes 1, 2 and 3). For further details of 2024 net zero engagements and the Programme, refer to [RLAM’s Stewardship and Responsible Investment Report 2024](#).

Figure 6: Our Asset Management business’s engagement with investee companies in 2024



Shell plc

Our Asset Management business has been engaging with the British oil and gas major Shell for several years, meeting 12 times in 2024.

2024 AGM

In the run-up to the AGM, our Asset Management business questioned Shell on its 2024 Energy Transition Strategy (ETS). It was pleased to see the introduction of an absolute ‘ambition’ to reduce emissions associated with the use of oil products, partially meeting a longstanding engagement request. Shell’s Scope 1, 2 and 3 emissions reduction targets are also informing its capital allocation decisions, which is seen as an important development in the credibility of its transition plan.

However, the regression in the Net Carbon Intensity (NCI) target was a concern, with Shell now targeting a 15-20% reduction by 2030, down from the previous 20%.

Shell acknowledged that it was unclear how it would meet its 2035 NCI target due to developments such as slower global decarbonisation than expected. Subsequently, Shell scrapped this 2035 NCI target. The chair acknowledged concerns, and Shell has indicated it will reintroduce a new mid-term target in its next ETS in 2027. While our Asset Management business was pleased with this response, questions remain on the interim period, between now and the 2027 ETS, and how capital planning will progress in the absence of a formal target.

In 2023, our Asset Management business voted against the resolution to approve Shell’s ETS, due to the lack of noticeable progress against expectations.

Since then, Shell has addressed some asks, but concerns remain about its lack of mid-term emissions targets.

For 2024, our Asset Management business chose to acknowledge this progress while retaining some concerns and upgraded its vote to *abstain*.

Our Asset Management business views Scope 3 targets as critical for oil and gas companies to align with the goals of the Paris Agreement, and Shell’s progress in this area has been mixed.

Due to Shell’s progress on disclosures and its response to engagement, our Asset Management business retained its position from 2023 and voted abstain on this shareholder resolution at the AGM in May 2024.

Continued engagement

Since the AGM, engagement with Shell has focused on four critical areas:

- aligning capital allocation with the goals of the Paris Agreement
- setting expectations on future exploration and consistency with targets
- transparency on its LNG growth strategy
- developing clear offsetting principles.

Our Asset Management business also engages with Shell in its role as co-lead of the World Benchmarking Alliance working group. Shell has taken positive steps to improve its approach to just transition, and we hope for productive discussions to continue and outputs to be showcased in 2025.

Principle 12 – Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

Our approach

We expect our asset managers to actively exercise their rights and responsibilities on our behalf, as set out in our Responsible Investment and Stewardship Policy. As described under [Principle 7 \(Stewardship, investment and ESG integration\)](#), our policy applies across our portfolio, though practical implementation varies by asset class, according to the opportunities available and the practices that are currently accepted as the most effective.

For equities, we ask our asset managers to comply with our Voting Policy and related voting policy guidelines, as described [on page 42](#).

In relation to fixed income, including corporate bonds, we do not have the right to vote at an AGM as equity holders do, but we sometimes have the right to vote on issues that affect our credit holdings. These votes often take the form of extraordinary general meetings, where we are asked to grant consent for changes that can impact our investments in a given company. Engagement with issuers remains a key element of how we can exercise our responsibilities in relation to fixed income. For example, our Asset Management business engages to turn the lack of publicly available ESG data into an opportunity to discover more information.

Conversations with issuers are an important opportunity to gain insights into the quality of the companies servicing bonds and the specific properties on which lending is secured. This direct dialogue enhances our risk identification and evaluation. For more information refer to [RLAM's Stewardship and Responsible Investment Report 2024](#).

For our property investments, we exercise our rights in the contracts we set with our tenants through RLAM. Further detail of work in this area is provided in [RLAM's Responsible Property Investment Report 2023](#) for professional clients, published in September 2024.



CLP Holdings



CLP Holdings is one of the largest investor-owned power businesses in the Asia-Pacific region, primarily involved in the generation, transmission and distribution of electricity. The company's energy mix is fossil fuels, coal and nuclear power, and renewables. Based on carbon emissions alone, our Asset Management business would typically reduce the number of the company's shares that we hold.

However, through the RLAM Responsible Investment team and Quantitative Equity team's engagement with CLP Holdings, our Asset Management business believes the company's decarbonisation plans are on track with its aims to increase its investment in renewable energy. The Responsible Investment team has also engaged with CLP on its intention to phase out coal by 2035, and CLP has a good just transition strategy in place for the phase-out of its biggest coal plant in Australia.

The positive view of its decarbonisation plans and its engagement with the company has resulted in our Asset Management business choosing not to adjust its holding. It will continue to engage with and monitor CLP's disclosures for greater clarity on its just transition plans.

Voting

Our Voting Policy

Our Group-wide Voting Policy sets the parameters within which asset owners and asset managers should operate. It includes the [Royal London Voting Principles](#) and [RLAM's Voting Guidelines](#).

RLMIS gains voting rights from holding shares in companies. We delegate voting decisions to our asset managers as part of the investment management process. For investments in pooled collective investment funds, we engage with our asset managers to assess how they align with our Voting Policy. We monitor and analyse the voting patterns of asset managers, taking further action if needed. For segregated mandates managed by our Asset Management business, we have established a Reserved Voting process that enables us to direct a vote on resolutions if required. More information on the Reserved Voting process is provided in [Principle 11 \(Escalation\)](#).

Exercising rights and responsibilities *continued*

We expect our asset managers to:

- have a publicly available voting policy
- give careful consideration to ESG issues when exercising voting rights
- take an active approach to voting, whether in active or passive funds
- support investee boards and management where their actions are consistent with long-term corporate value as opposed to short-term profits
- support the alignment of voting decisions with investee company engagement
- disclose voting activity no less than twice a year.

Royal London’s Voting Policy includes a set of guidelines that describe the expectations we place on the companies we invest in, with reference to:

- **corporate governance** – including board composition, executive directors’ remuneration, auditor independence and non-audit fees, shareholder rights, shareholder resolutions and report and accounts disclosures
- **environmental risk** – including climate change, biodiversity, pollution and natural resources disclosures
- **social inclusion** – including diversity, pay ratio and gender pay, commitment to paying a living wage, pension provision, and workforce engagement.

As our Asset Management business manages over 95% of RLMIS customer assets, it completes eligible voting on our behalf. Its voting approach is defined by the following six principles:

- **No auto-voting:** as part of RLAM’s active approach, it analyses every single vote. Voting research data, internal insights and engagement are utilised to drive the final decision.
- **Abstain intentionally:** RLAM is deliberate in how it uses its choice to abstain. Issues are rarely black and white, and abstentions are used to send a signal or invite further engagement.
- **Apply local best practice:** voting is an opportunity to engage and suggest improvements. RLAM’s approach goes beyond the minimum standards and asks for best practice relative to each market.
- **Seek consensus:** RLAM votes as a house and seeks input from investment teams. Its votes represent RLAM’s collective view.
- **Change takes time:** change cannot happen overnight, and RLAM acknowledges when companies are in the process of change.
- **Be consistent:** RLAM applies its policies and votes consistently across companies and over time, but applies judgement when appropriate.

We are also committed to working with our peers in the financial sector, regulators and policymakers to play our part in responding to market-level and systemic risks. We do this through collaboration with industry bodies, as set out in [Principle 4 \(Promoting well-functioning markets\)](#) and [Principle 10 \(Collaboration\)](#). In [Principle 2 \(Governance, resources and incentives\)](#) we also demonstrate how we consider stewardship of our suppliers from the outset.



Exercising rights and responsibilities *continued***Voting activity in 2024**

Here are a few examples of how our Asset Management business voted on our behalf in line with Royal London's Voting Policy in 2024. Our Asset Management business shares its full voting record on its website, and provides additional details in [RLAM's Stewardship and Responsible Investment Report 2024](#).

Exxon Mobil Corp

Exxon filed a lawsuit in January 2024 to exclude a shareholder proposal for more ambitious GHG reduction targets. The shareholder proposal was withdrawn in February, but Exxon did not drop the lawsuit.

At the AGM in May, our Asset Management business voted against the Chief Executive Officer, against all members of the Environment and Social Committee, and against the Chair of the Governance Committee. The votes were as follows:

- Multiple Director Elections > *Against*
- Shareholder Proposal Regarding Revisiting (Removing) Pay Incentives for GHG Emissions Reductions > *Against*
- Shareholder Proposal Regarding Virgin Plastic Demand > *For*
- Shareholder Proposal Regarding Just Transition Reporting > *For*

In June 2024, a federal judge dismissed the case as moot. Disappointingly, this dismissal preserves the option for other companies to pursue the same route to keep ESG-related shareholder proposals off annual meeting ballots, negatively impacting shareholder rights.

NEXTDC

NEXTDC is an Australian technology company that specialises in data centre solutions. It provides a range of services such as data centre outsourcing, connectivity servicing and infrastructure management.

In 2022 and 2023, our Asset Management business voted against the company's approach to pay. NEXTDC proposed moving away from granting shares to its employees based on stretching performance measures, to granting restricted shares with less challenging performance hurdles. While our Asset Management business is not opposed to the concept of restricted shares, it believes that the reason for the change should be explained to shareholders. It also felt there should be a reduction in the size of the potential award, given the higher likelihood of payout. In this instance, the company did not reduce the size of the award or provide a rationale for the change.

As RLAM continued to vote *against* NEXTDC's pay approach and given its aim of holding underweight positions in companies with poor governance practices (i.e. owning fewer shares than the benchmark), RLAM's Quantitative Equity Solutions Team underweighted NEXTDC within the tilt funds. This reduction in its holding throughout the year eventually led to selling out of NEXTDC completely in July and September 2024 across the two funds in which a position was held.

Home Depot Inc., PepsiCo Inc. and Kellanova Co.

During 2024, our Asset Management business responded to 30 shareholder proposals related to biodiversity or nature. Examples of these include proposals to the home improvements retail company Home Depot Inc., the soft drinks manufacturer PepsiCo Inc., and the food manufacturer Kellanova Co. (formerly Kellogg's).

Our Asset Management business supported the shareholder proposal at Home Depot. The proposal requested a biodiversity impact and dependency assessment, including the full value chain and use of sold products. It noted the steps taken by the company in relation to a wood purchasing policy, responsible sourcing supplier manual, responsible product standards and responsible sourcing report. However, it considered this request reasonable given the systemic importance of biodiversity loss.

At PepsiCo, the proposal again requested a material biodiversity dependency and impact assessment. It also sought a corresponding public report to identify the extent to which the company's supply chains and operations are vulnerable to risks associated with biodiversity loss. While the company appears to be addressing these risks and disclosing its goals, there is room for improvement in line with forthcoming disclosure requirements. As such our Asset Management business voted *for* this proposal.

At Kellanova, the proposal focused on the risks associated with pesticide use, including the impact on farmworker health, soil health, biodiversity, water quality and climate. The proposal requested a report from the company on these risks and recommended the disclosure of any strategies, beyond legal compliance, being planned to mitigate these risks. Our Asset Management business voted *for* as it considered the proposal to be reasonable.

Looking ahead

By putting our members and customers firmly at the heart of the decisions we make, while also considering our contribution to society, we will continue to strengthen our stewardship approach in the year ahead. We will focus on continuing to ensure our approach to engagement, exclusions and asset manager oversight reflects customer needs, and on embedding key topics such as nature and biodiversity.

As an asset owner, the actions and decisions of others also affect our ability to play our part in moving fairly to a sustainable world. We will continue to work with our asset managers, peers, policymakers, regulators and others to promote changes that benefit our customers and society.



Engagement themes

We will review our engagement themes to ensure they continue to reflect the views of our customers, Royal London's Purpose and strategy, insights from our Asset Management business, and independent input from our External Advisory Group.

Fossil fuel investments

In 2025, we will evolve our approach to investing in companies involved in fossil fuel production or that use fossil fuels to generate energy. This includes how we engage with companies on the credibility of their transition plans and with UK policymakers to support policies that promote low-carbon energy.

Nature and biodiversity

We will progress the creation of a Group-wide nature strategy, which we will be embedded into our climate strategy, while our Asset Management business works with its investment teams to incorporate biodiversity insights into its investment analysis and engagement process.

Asset manager oversight

We will continue working to enhance our understanding of our asset managers' engagement processes and priorities, including how they engage with companies, report on engagement progress and escalate any issues to their internal management. Once the new NZAM¹ initiative is announced we will evaluate the framework and how it is integrated into our oversight processes.

Exclusions

Informed by customer views, we will develop a Group-wide Exclusions Policy that provides a consistent approach across Royal London and – as part of refining our approach to investing in fossil fuels – we will implement our exclusion to companies heavily involved in thermal coal.

Artificial intelligence

The opportunities and risks associated with AI are a relatively new development. We will advance our approach to responsible use of AI, within our own workplace and in relation to engaging with companies in which we invest.

1. In early 2025, NZAM suspended its activity and announced a review of the initiative in light of changing regulatory and client expectations. RLAM has not changed any of its activities as a consequence of this suspension, and has responded to the consultation. Two of our six key asset managers (as at October 2025) have relinquished signatory status to NZAM, prior to the suspension, although have demonstrated membership to the Institutional Investors Group on Climate Change (IIGCC). The other key asset managers have entered a holding pattern as they assess the climate transition positioning and activities, awaiting the outcome of the NZAM review following the suspension.

Glossary

Term	Definition
Asset manager	An investment firm that provides portfolio management services to investors, including an Alternative Investment Fund Manager and the operators of an Undertaking for Collective Investment in Transferable Securities.
Asset owner	An undertaking carrying out activities of life assurance within the meaning of points a), b) and c) of Article 2(3) of Directive 2009/138/EC of the European Parliament and of the Council, and of reinsurance as defined in point (7) of Article 13 of that Directive, provided that those activities cover life-insurance obligations, and which is not excluded pursuant to that Directive.
Association of British Insurers (ABI)	The ABI represents the collective interests of the UK's insurance industry.
Biodiversity	Biodiversity is a foundational characteristic of natural systems, and it is a proxy for functional, productive and resilient ecosystems that are able to provide the ecosystem services upon which life on Earth relies. (Source: IFRS)
Climate change	Long-term shifts in temperatures and weather patterns.
Climate risk	Climate risks can arise from potential impacts of climate change as well as human responses to climate change. In the context of climate change impacts, risks result from dynamic interactions between climate-related hazards with the exposure and vulnerability of the affected human or ecological system to the hazards. In the context of climate change responses, risks result from the potential for such responses not achieving the intended objective(s), or from potential trade-offs with, or negative side-effects on, other societal objectives, such as the Sustainable Development Goals (see also risk trade-off). (Source: IPCC)
Climate scenario modelling	Models and techniques employed to estimate likely impacts on our portfolio value in a range of climate scenarios over various time horizons. Climate financial modelling is underpinned by many uncertainties and subjective choices. Models commonly exclude widely accepted material climate risks (including the impacts from policymakers' decisions, impacts of market sentiment and climate tipping points) and rely on material subjective assumptions (including viability of investee net zero plans and assumed sector-level transition pathways).
Climate transition plan	A transition plan is integral to an entity's overall strategy, setting out its plan to contribute to and prepare for a rapid global transition towards a low greenhouse gas-emissions economy. (Source: Transition Plan Taskforce)

Term	Definition
Decarbonisation	Decarbonisation refers to all measures through which a business sector, or an entity – a government, an organisation – can lower greenhouse gas emissions to reduce its impact on the climate.
Engagement	Engagement refers to structured, purposeful dialogue between investors and companies, policymakers, standard setters and other stakeholders with the intention of influencing (or identifying the need to influence) positive change and/or improving disclosure. Engagement can take two forms: engagement for information, which describes engagements which seek to uncover information or identify the need to change or influence; and engagement for change, which describes engagements that seek to influence change, with defined objectives and demonstrable outcomes.
Environmental, social and governance (ESG) risks (integration)	ESG integration is the systematic, explicit and transparent integration of material environmental, social and governance (ESG) considerations into processes for investment research, analysis and decision making. For funds, ESG integration refers to the consideration of ESG risks as part of the investment process. It does not mean the fund is trying to achieve a particular positive ESG outcome.
Financial Conduct Authority (FCA)	An independent conduct of business regulator, which ensures that business is conducted in such a way that advances the interests of all users of, and participants in, the UK financial sector.
Global warming	Global warming is the long-term warming of the planet's overall temperature. While this warming trend has been ongoing for a long time, its pace has significantly increased in the last hundred years due to the burning of fossil fuels. Fossil fuels include coal, oil and natural gas, and burning them causes what is known as the 'greenhouse effect' in the Earth's atmosphere.
Greenhouse gases (GHG)	The seven gases included in the Greenhouse Gas Protocol are carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF ₆) and nitrogen trifluoride (NF ₃). (Source: GHG Protocol)
Institutional Investors Group on Climate Change (IIGCC)	The IIGCC is a European-focused investor membership organisation that works to bring the investor community together in making progress towards a net zero and climate resilient future. (Source: IIGCC)
Just adaptation	Just adaptation minimises the negative social externalities from efforts to adapt to climate change while maximising the adaptation benefits for wider society.

Glossary *continued*

Term	Definition
Just transition	An inclusive approach which helps avoid exacerbating existing injustices or creating new ones, considering the social implications of moving fairly to a low-carbon economy.
Materiality	Materiality is a concept that defines why and how certain issues or information are important for a company or a business sector.
Mutual	A company owned by its member customers rather than shareholders. A member of a mutual company can vote at its Annual General Meeting.
Nature	Nature's four realms – land, ocean, freshwater and atmosphere – include different types of ecosystem or 'biome', such as tropical forests, and rivers and streams. Ecosystems are assets that provide 'ecosystem services' on which society and business depend, such as freshwater for drinking and irrigation, and pollination of crops by bees. Together, the concepts of realms, biomes, environmental assets and ecosystem services form key building blocks for business and finance to understand nature. (Source: Taskforce for Nature-related Financial Disclosures)
Net zero	The term 'net zero' means achieving a balance between the amount of greenhouse gases emitted into the atmosphere and the amount removed from it.
Net Zero Asset Managers initiative (NZAM)	NZAM is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner. This activity is currently suspended and under review. (Source: NZAM)
Own Risk and Solvency Assessment	The processes and procedures employed to identify, assess, monitor, manage and report the risks the Group faces or may face over the business planning period, and to determine the Own Funds necessary to ensure that its overall solvency needs are met at all times over that period.
Paris Agreement	A legally binding international treaty on climate change adopted by 196 parties at the UN Climate Change Conference (COP21) in December 2015. Its central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.
Physical risk	Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organisations' financial performance may also be affected by changes in water availability, sourcing and quality; food security; and extreme temperature changes affecting organisations' premises, operations, supply chain, transport needs and employee safety.

Term	Definition
Pooled funds	Where assets are held on a collective basis on behalf of a number of investors and managed according to a single, defined investment objective.
Responsible investment	An approach that aims to deliver long-term investment returns consistent with the investment needs of our clients and customers, and does so in a way that reflects the responsibility we have as stewards of the investments Royal London holds for the benefit of our members, customers and clients, and to wider society.
Segregated mandates	Where assets are invested by an appointed asset manager on instruction from an investor on a discretionary or non-discretionary basis and held separately from other clients' assets
Stewardship	Stewardship is the responsible allocation, management and oversight of customers', members' and clients' money to create long-term value, supporting more sustainable benefits for the economy, the environment and society. 'Steward' shall be interpreted accordingly.
Sustainability	Sustainability means meeting the needs of the present without compromising the ability of future generations to meet their own needs. This thereby contributes to the long-term wellbeing and prosperity of economies, environment and societies.
Sustainability Disclosure Requirements (SDR)	The Financial Conduct Authority's SDR regulatory requirements introduced a package of measures aimed at clamping down on greenwashing. This includes sustainable investment labels, disclosure requirements and restrictions on the use of sustainability-related terms in product naming and marketing.
Task Force on Climate-Related Financial Disclosures (TCFD)	The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information to investors, lenders, insurers and other stakeholders. It is a framework to report on climate-related risks and opportunities. As of 2023, the TCFD has fulfilled its remit and disbanded.
Tilt strategy	An investment strategy that allows fund managers to deviate from an underlying index, by giving greater weight to securities according to a chosen measure (for example, ESG and climate practices).
Transition Plan Taskforce	The Transition Plan Taskforce aims to help organisations meet their climate goals and support the UK government's pledge to achieve net zero by 2050 by providing a set of good practice recommendations to help companies across the economy make high-quality, consistent and comparable transition plan disclosures.

Glossary *continued*

Term	Definition
Transition risks	Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.
UK Stewardship Code 2020	The UK Stewardship Code 2020 is a voluntary set of principles that sets high standards for how investors, and those that support them, invest and manage money on behalf of UK savers and pensioners, and how this leads to sustainable benefits for the economy, the environment and society.
UK Sustainable Investment and Finance Association (UKSIF)	The UKSIF exists to bring together the UK's sustainable investment and finance community and support its members to expand, enhance and promote this key sector. (Source: UKSIF)
United Nations-supported Principles for Responsible Investing (UN PRI)	The UN PRI, a UN-supported network of investors, works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance issues, and to support signatories in integrating these issues into investment and ownership decisions. (Source: UN PRI)
Voting	Using our rights as shareholders to vote at the Annual or Extraordinary General Meetings of the companies in which Royal London invests.



The Royal London Mutual Insurance Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The firm is on the Financial Services Register, reference number 117672. Registered in England and Wales number 99064. Registered office: 80 Fenchurch Street, London, EC3M 4BY.

Royal London Asset Management Limited is authorised and regulated by the Financial Conduct Authority. The firm is on the Financial Services Register, reference number 141665. Registered in England and Wales number 2244297. Registered office: 80 Fenchurch Street, London, EC3M 4BY.

For more information contact:
royallondon.com