

Our approach to **stewardship and engagement**



We expect our asset managers to look after our customers' money responsibly and engage with companies they invest in on our behalf. We'll also step in whenever we feel our customers' needs are not being properly considered.

Represent our customers' needs

We understand the long-term needs and interests of our customers and so we'll act as their voice on matters of stewardship and governance to help ensure the best long-term outcomes.

Focus on potential risks

We'll take action, or we'll ask our asset managers to take action if we feel there's an increased risk our customers' pension investments could be negatively impacted.

Add value where we can

We'll seek to ensure our asset owner voice is heard. Whilst we do not want to duplicate the stewardship and engagement activities of our asset managers, we will step in where we feel we can add additional value as an asset owner.

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Listening to our customers

As a mutual we're committed to incorporating our customers' views into our approach to stewardship and engagement.



We'll undertake research to understand our customers' views.



We'll assess and determine the extent to which this research can be incorporated into our stewardship and engagement activities.



We'll use our customer research to help make decisions about our stewardship and engagement approach.

Our stewardship and engagement responsibilities

We'll ask our asset managers to take action, or we'll take independent action on the following:



Engagement

We have the right to tell our asset managers what our priority engagement themes are and ask how they're acting on these themes.



Voting

We have the right to vote on the funds that only we are invested in.



Exclusions

We have the right to decide on the exclusions that apply to the funds that only we are invested in.



Our engagement priorities

Royal London is focusing on three key engagement themes on behalf of customers: climate change, inclusion, and governance.

These themes align to our Purpose and are used to focus our activities and were formed following the results from customer research.

Each theme will have underlying topics and these topics will be prioritised based on:

- The percentage of holding in the issuer company, market value of the asset, portfolio company and/or property
- The materiality of Environmental, Social and Governance (ESG) factors on financial and/or operational performance
- Specific ESG factors with systemic influence (e.g. climate or human rights);
- Specific ESG factors based on input from beneficiaries
- Climate Action 100+.

Our collaborative engagement

We'll participate in direct and collaborative engagement in relation to our priority engagement themes and have signed up to and support the following initiatives and organisations:

- Supporter of the Task Force on Climate-related Financial Disclosures (TCFD)
- The Institutional Investors Group on Climate Change (IIGCC)
- UK Sustainable Investment and Finance Association (UKSIF)
- UN Principles for Responsible Investment (UN PRI)
- International Corporate Governance Network (ICGN)

What we expect of our asset managers

We expect the asset managers we work with to exercise the full range of shareholder rights and responsibilities on our behalf.

We expect asset managers to become signatories of the following initiatives or provide an explanation as to why they have not done so:

- UN Principles of Responsible Investment
- UK Stewardship Code 2020
- Asset Managers Net Zero Initiative



Our voting rights

We've developed Voting Principles that set out the expectations we place on the asset managers we've appointed to look after our assets and the expectations we place on the companies we invest in. We've also developed Voting Policy Guidelines that outline our view on what good corporate governance looks like within the companies we invest in through our asset managers. We require all asset managers to comply with the Voting Policy Guidelines or explain why they cannot do so.



For further details please [see our Voting Principles](#).



Applying exclusions

We'll never knowingly invest in corporate equity and/or debt involved in the manufacture and sale of cluster munitions, anti-personnel landmines, or biological and chemical weapons. We require all the asset managers we work with either to apply the exclusions directly to funds only we are invested in or alternatively comply with this policy or explain why they cannot do so.

Conflicts of Interest

We take a fair, consistent and ongoing approach to managing conflicts of interest by holding all our employees to account. The Board is accountable for the management of all conflicts of interest within the Royal London Group and responsible for dealing with these in a fair way.

Engagement with companies we invest in

To help encourage proactive engagement we'll share our engagement themes with asset managers.

We'll do this by:

1 Directing stewardship and engagement activity

- We'll share our engagement themes with asset managers we've appointed to manage funds only we are invested in and will be kept up to date on their engagement progress no less than twice a year.
- We'll also share our engagement themes with key asset managers of pooled funds and monitor their engagement activities that align with our engagement themes.

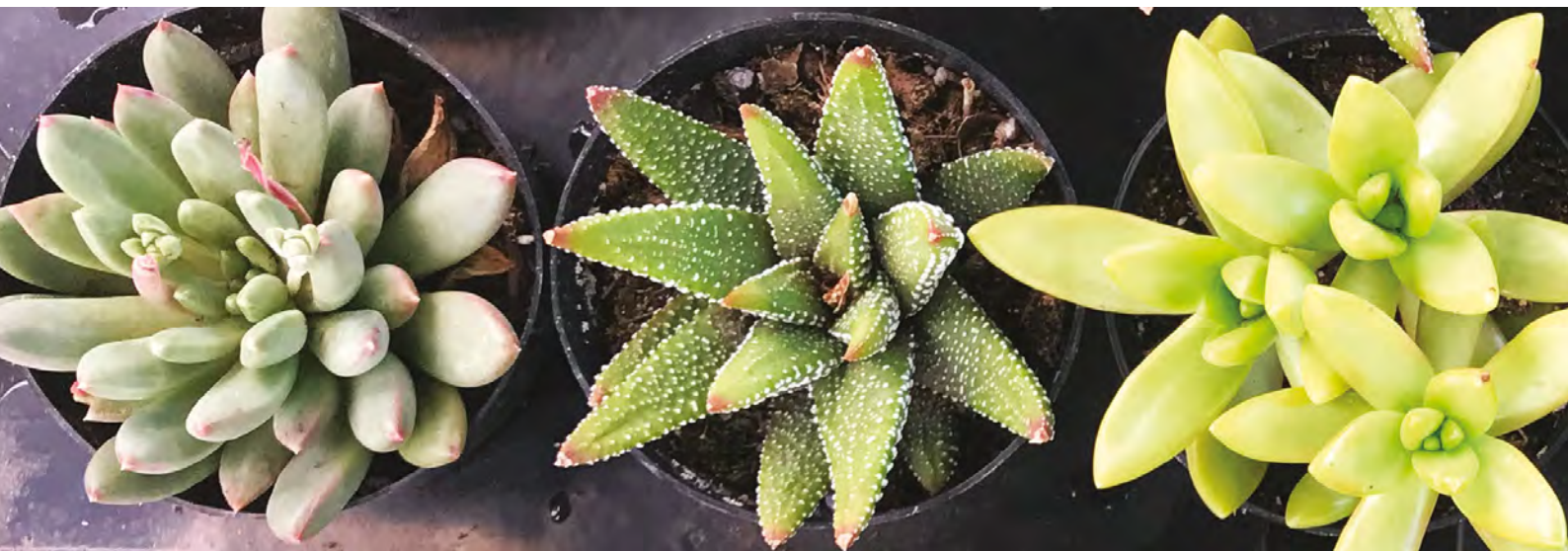
2 Adherence to industry standards

- We'll assess how asset managers adhere to best practice as defined in the requirements of the UK Stewardship Code and the UN Principles of Responsible Investment (UNPRI)

Engagement escalation

If engagement activities do not meet the objectives that were set out at the start of the engagement, or if the activities do not result in real progress within the timeframes that have been set then we expect our asset managers to escalate their activities. Escalation activities may include:

- Holding additional meetings with company management, the chairman or other board members
- Divesting from, or reducing their exposure to, the investee company
- Excluding or reducing exposure to the sector from their investment universe
- Making a public statement in advance of the AGM
- Withholding support or voting against management
- Submitting a Shareholder Resolution



Our monitoring of stewardship and engagement

We require asset managers to demonstrate that their approach to stewardship and engagement meets the standards we've set. We do this by monitoring asset manager engagement, voting and exclusions.

We'll also subscribe to external data providers for responsible investment and climate change research to provide us with a third-party view of asset manager arrangements and help validate our assessments of asset managers. Monitoring activity will include quarterly meetings with key asset managers.

The results from all responsible investment and climate change monitoring activities will result in a rating being produced for each asset manager that will feed into a Responsible Investment and Climate Change Dashboard. All escalations will take place through our Asset Manager Oversight Framework.

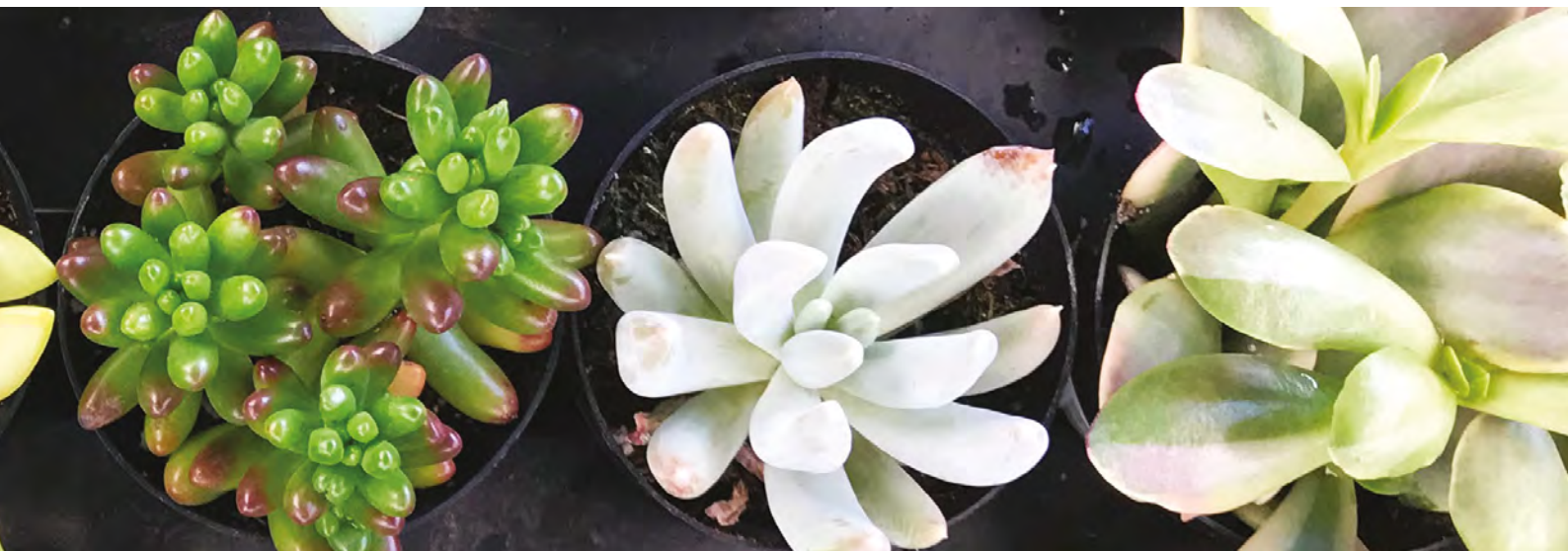
Reporting and disclosure

We'll report annually in line with the Shareholder Rights Directive (SRD) II requirements and the principles of the UK Stewardship Code, covering items including, but not limited to:

- integrate shareholder engagement in our investment strategy;

- monitor investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure and social and environmental impact and corporate governance.
- conduct dialogue with investee companies;
- exercise voting rights and other rights attached to shares;
- cooperate with other shareholders;
- communicate with relevant stakeholders of the investee companies; and
- manage actual and potential conflicts of interests in relation to our engagement.

Also, when we've instructed the vote within a fund that only we are invested in then we'll make our voting decision publicly available.



To find out more about our approach to
responsible investment please visit:
www.royallondon.com/mutuality/responsible-investment/



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such as Braille, large print or audio, just ask us when you get in touch.**

All of our printed products are produced on stock which is from FSC® certified forests.

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