

# Royal London Asset Management

## Our Commitment to Sustainable Investment

September 2012

RLAM is a fund management company that manages assets on behalf of a wide range of institutional, wholesale and private clients. As a large scale investor, currently managing over £45bn of assets, we believe we have a responsibility to use our investment strength to promote positive corporate behaviour to the benefit (in terms of long term performance) of our clients and the wider community.

The concept of sustainable investment is a key part of our product offering and we take a proactive approach to promoting best practice in the companies in which we invest.

Our detailed approach to the issue of corporate governance is covered in our Overall Corporate Governance Guidelines document. This reflects our belief that companies should be managed effectively in the best interests of shareholders. Central to this are sound governance structures which provide the power to management to manage, while at the same time allowing sufficient transparency in order for shareholder accountability.

However we also believe that issues relating to companies' Environmental, Social and Governance (ESG) practices are now correctly receiving more attention. It is becoming increasingly evident that insufficient attention to issues relating to ESG can be damaging to business success and financial returns and hence lead to significant risks to shareholder / policyholder value.

RLAM is signatory to the United Nations Principles for Responsible Investment (UN PRI). "**The Principles** were devised by the investment community. They reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large." (Source of quote: UN PRI website 08 2012)



We participate in the central clearing house which helps managers to provide combined engagement on specific issues (for example, arms in countries of conflict). We sign up and contribute to those issues which are relevant to stocks and geographies in which we invest. There will be some issues such as in emerging markets which are not relevant as we do not invest in those areas.

RLAM believes that companies should develop appropriate policies and practices on corporate social responsibility. Where we ourselves identify significant risks from ESG issues we would expect discussion of them to form a part of our regular dialogue with company management.

We also include a full shareholder voting record on our website detailing how we have voted at the meetings convened by companies where we have a holding. At the same time, RLAM's Chief Investment Officer is a leading advocate of corporate governance and effective shareholder engagement is frequently quoted in the trade and national press on this subject.

RLAM is committed to using its clients' assets to engage with companies on all relevant ESG matters. RLAM exercises its "vote" on all resolutions that it is mandated to on behalf of clients and RLAM contacts companies following an abstention or vote being lodged against management.

Environmental, social and governance issues are fundamental drivers of long-term corporate performance, a principle that is central to RLAM's philosophy as an asset manager. Our portfolio managers integrate analysis of these issues into their overall approach to valuing companies.

RLAM manages specialist bond and equity ethical funds which have proved popular with clients. These funds employ a screening process managed by EIRiS (Ethical Investment Services Ltd), the leading global provider of independent research into social, environmental and ethical performance.

Furthermore, with around £2bn of property assets under management, RLAM's property team is keenly aware of its responsibilities as an active, long term property investor. Working with our agents and tenants, we have developed a comprehensive property sustainability strategy explaining the high environmental standards expected of the properties we own, available upon request.

Across the Royal London Group, CR is focused on four main areas: the environment, the community, the marketplace and our people, in accordance with the principles of Business in the Community (BiTC), a business-led charity that promotes responsible business practice.



We are proud to have been awarded a Silver rating in the Corporate Responsibility Index 2012 in-depth annual benchmarking by BiTC, which is indicative of the focus and commitment which the RL Group places on CR. For further details of BiTC benchmarking, please see the BiTC website at [www.bitc.org.uk/cr\\_index](http://www.bitc.org.uk/cr_index).

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*Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.*

*For funds that use derivatives, their use may be beneficial, however, they also involve specific risks. Derivatives may alter the economic exposure of the Fund over time, causing it to deviate from the performance of the broader market.*

*All confidential information relating to any Royal London Group company must be treated by you in the strictest confidence. It may only be used for the purposes of assessing the proposal to engage RLAM. Confidential information should not be disclosed to any third party and should only be disclosed to those of your employees and professional advisers who are required to see such information for the purpose set out above. You should ensure that these persons are made aware of the confidential nature of such information and treat it accordingly. You shall return and/ or destroy all confidential information at our written request.*

Source: **riam** as at September 2012 unless otherwise stated.

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