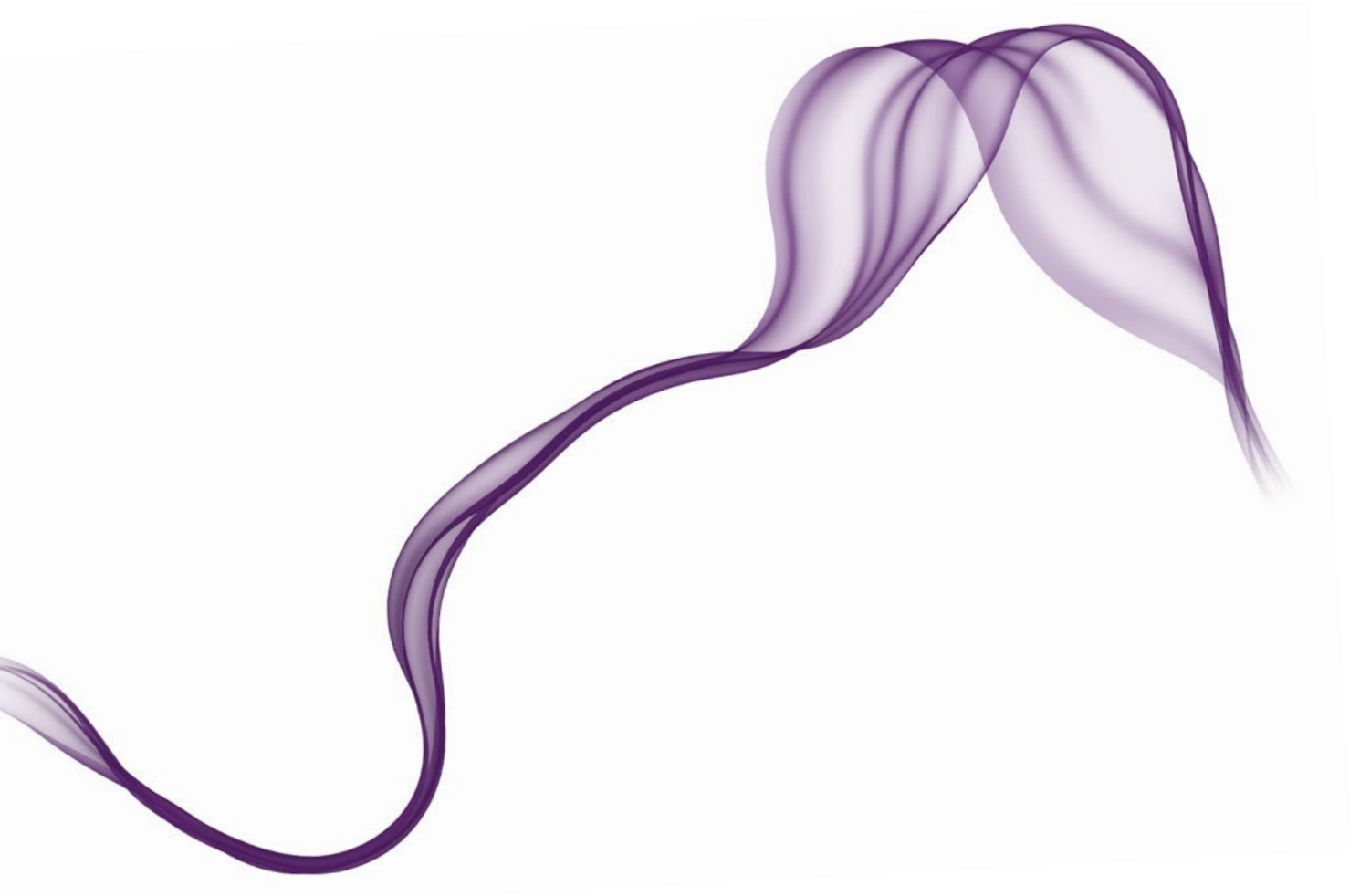


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Our Approach to Reporting Outcomes



Since 2023 Royal London Asset Management have published Sustainable Outcomes reports for three of our sustainable funds. These are fund level reports summarising the environmental and social performance of our Royal London Global Sustainable Credit fund, Royal London Global Sustainable Equity fund and Royal London Sustainable Leaders Trust. Here we explain why we are reporting on outcomes, our approach, and what we have learned.

From “Tell me” to “Show me”

There is a growing societal and regulatory demand for asset managers to move beyond talking about sustainable processes and start to share more on sustainable results (e.g., The UK Sustainability Disclosure Requirements).

Customers and regulators increasingly ask us not only to *tell them* what we do (our process), but also *show* them how our process leads to better environmental and social outcomes.

In part this is also driven by concern over ‘greenwashing’ (defined as the act of making inaccurate, misleading, or unsubstantiated claims about the environmental and/or, social (i.e., ‘sustainability’) benefits of products/services offered). This concern has led to increased scrutiny through regulation. Both in the EU and UK regulators have introduced legislation which require asset managers to report on more environmental and social issues.

This scrutiny is naturally focused on climate change but also covers issues such as diversity, human rights, quality of work, biodiversity, waste, water & pollution and more sustainability related issues.

How will we ‘show’ you?

We started with a market review of frameworks, standards and other asset managers’ reports (covering a range of investment strategies and asset classes) of outcomes/impacts and identified four themes:

1. A focus on the impact of investee companies’ products and services but usually not operations

2. Report exclusively positive outcomes using a single Key Performance Indicator (KPI) to measure and report on product & services’ impacts (operational outcomes tend to be limited to carbon emissions and/or waste generation or water consumption)

3. Using the word “impact”, which has multiple possible interpretations without clearly indicating which definition they use

4. Applied mostly to impact or sustainability themed strategies

However, we think that in the long run, to satisfy societal demands for positive sustainable results and regulatory concerns over greenwashing, standards will need to advance even further and we want to contribute to achieving this. We therefore set about creating an approach and framework that aims to:

1. Focus on the outcomes generated by the companies we invest in whether generated through products & services or operations
2. Report all positive and negative outcomes, using as many KPIs as are necessary, per each outcome
3. Concentrate on outcomes, only claiming impact if and where in line with emerging standards
4. Be applicable to any fund regardless of strategy

We refer to ‘outcomes’, rather than ‘impacts’, for two reasons:

1. Being focused on the companies we invest in; we define outcomes as short-term changes to environmental and social factors affected by their products and services and/or operations. We see impacts as longer term changes which are affected by more variables, requiring estimates and assumptions and are therefore more open to debate. Outcomes tend to be relatively easier to measure.
2. Funds currently covered by our outcomes reports do not employ an impact strategy. While we acknowledge that we ‘own’ a portion of investee companies’ outcomes (because we own a portion of the companies themselves), impact strategies operate to explicitly defined criteria covering concepts

such as investor contribution (how we ourselves contribute to changes in outcomes, such as through engagement) and intentionality (setting specific, pre-defined environmental or social objectives). By using the word outcomes we wanted to distinguish between what we and our investee companies achieve, and between our currently covered strategies and impact investors/funds.

We are constantly learning

Along the way we encountered a few challenges and while we have some ambitious ideas, we know we do not have all the answers and are constantly learning. Some of the challenges and learnings so far include:

- Neither **data availability nor quality** are yet at the level required for us to be able to report on all outcomes in a reliable way
- Yet, even with what is currently available, **a lot of time and effort are needed** to gather, digest and understand it. This will become more apparent as data availability and quality improve, increasing the amount of data we need to analyse
- It may sound obvious but **client interests, needs and expectations as well as regulatory requirements** can vary and we need to be flexible to respond. As the volume and complexity of data we deal with increases we still need to report this in a meaningful way to our clients and the market while maintaining trust and transparency
- **Frameworks and approaches and regulation** are constantly evolving and require reporting on different metrics.

While everything we have learned so far has encouraged us that we are on the right path, we need to work with our teams, clients and others to improve - meaning we are very open to feedback. Meanwhile, we will continue to evolve, develop new processes and systems, and monitor the market to see what best practice is emerging.

Contact us

For more information about our range of products and services, please contact us.

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UK domiciled fund & trust

The Global Sustainable Equity Fund is a sub-fund of Royal London Equity Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000807. The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037.

The Royal London Sustainable Leaders Trust is an authorised unit trust scheme. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

For more information on the fund/trust or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com.

Irish domiciled fund

The Global Sustainable Credit Fund is a sub-fund of Royal London Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000. The Management Company is FundRock Management Company SA, Registered office: 33 rue de Gasperich, L – 5826 Hesperange, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF). The Investment Manager is Royal London Asset Management Limited. For more information on the Fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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