

Sustainable Finance Disclosure Regulation (SFDR)

The Sustainable Finance Disclosure Regulation ("SFDR") is a key element of the Sustainable Finance Action Plan launched by the European Commission in March 2018. The SFDR introduces rules on disclosures relating to sustainable investments and sustainability risks, some of which are deemed applicable to Royal London Insurance DAC (the Company).

In line with SFDR, the purpose of this note is to outline our approach and rationale to:

- The incorporation of "sustainability risks" in investment decision making processes;
- The consideration of "principal adverse impacts" in investment decisions; and
- The integration of "sustainability risks" in our remuneration policies.

For the purposes of the SFDR:

- A "sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment;
- "Sustainability factors" means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters;
- "Principal adverse impacts" should be understood as those impacts of investment decisions and advice that result in negative effects on sustainability factors.

Sustainability Risks

The business of the Company comprises business split into three funds; an open fund and two closed funds. The products available for subscription in the Company's Open Fund are not subject to the disclosure requirements of the SFDR. The two closed funds comprise of business which was sold by Scottish Provident International in Germany and Irish business which was distributed through Royal Liver Assurance Limited respectively. Both of these books of business were subsequently purchased by The Royal London Mutual Insurance Society Limited ("RLMIS"). These books of business were transferred to the Company in 2019, by way of a transfer made under Part VII of the UK Financial Services and Markets Act 2000. The two closed funds include a variety of products including with-profits policies and unit-linked policies ("Closed Policies").

These products did not promote environmental or social characteristics at the time of sale and the Company did not specifically consider sustainability risks as part of the key criteria to select the fund range.

The investment funds underlying the funds to which the Closed Policies are reinsured are managed by Royal London Asset Management.

Royal London Asset Management (RLAM)

RLAM has embraced responsible investing for many years and continue to expand their offering in line with the evolving world of ESG best practice. In 2020, RLAM deepened their ESG practices and now integrate these across all of their asset classes. RLAM's approach to Responsible Investing, along with how they comply with SFDR requirements and embed principal adverse impacts into their investment decision making, is detailed within their Responsible Investment Policy available on their website.

RLAM has also published a Climate Risk Policy which explains their approach to monitoring, assessing and addressing risks and opportunities from climate change, and the commitments they are making to support an orderly transition to a low-carbon future. In their approach, RLAM integrate material ESG analysis, including climate change, into their investment process to support and enhance risk-adjusted returns.

RLAM seeks to address and mitigate climate investment risks in three ways:

1. They ensure climate risk is integrated into their risk framework and they have appropriate governance to ensure it is monitored and assessed with a view to protecting client assets and ensuring they can continue to operate their business;
2. They integrate material environmental, social and governance (ESG) issues, including climate risk, into their investment decision-making; and
3. They are active stewards of our clients' capital and use proxy voting and engagement as tools to highlight potential climate risks and influence company and regulator behaviour in order to reduce any investment risks, or improve outcomes or opportunities.

Additional information on RLAM's responsible investment policies can be found on their website: www.rlam.co.uk.

Principal adverse impacts of investment decisions

While the Company is working to advance its overall approach to integrate the impacts of its investment decisions on sustainability factors, and this may in time include these Closed

Policies, to date these factors have not had a determining impact on its investment decisions in relation to the Closed Policies.

Sustainability Risk Integration

The Company's approach to remuneration setting and oversight is to align with the Remuneration Policy of Royal London Group, of which it is a part. The key remuneration related principles employed by the Company include:

- Aligning incentive schemes to drive behaviours consistent with the Company's purpose, culture, values and strategy;
- Aligning employees' and executives' interest with those of the Company's policyholders and customers;
- Supporting the delivery of the Company strategy, whilst ensuring adherence to the Company's risk appetite;
- Ensuring fair outcomes for our people and policyholders.

The overall remuneration structure is underpinned by the following key components designed to achieve a careful balance between providing competitive salary and benefits, and motivational incentives to drive performance and the appropriate management of risk:

- A fixed component which comprises salary and any other fixed allowances. Fixed remuneration primarily reflects the relevant individual's responsibilities and experience, professional experience, technical and leadership skills required of the role and market salary range for the role and location;
- A variable component which comprises an upfront cash element (Short Term Incentive Plan awards – STIP). The achievement of the financial and non financial objectives outlined in the scorecard is required as part of any STIP award.

All variable remuneration amounts are awarded in accordance with performance and there is no minimum payment guaranteed. The scorecard of performance measures includes a number of "sustainability factors" as defined in the SFDR. It is intended to further develop integration of these factors in the future.

Ends.

Royal London Insurance DAC is regulated by the Central Bank of Ireland.
Royal London Insurance DAC is registered in Ireland, number 630146, at 47-49 St Stephen's Green, Dublin 2.
Royal London Insurance DAC is a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited which is registered in England, number 99064, at 55 Gracechurch Street, London, EC3V 0RL.

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