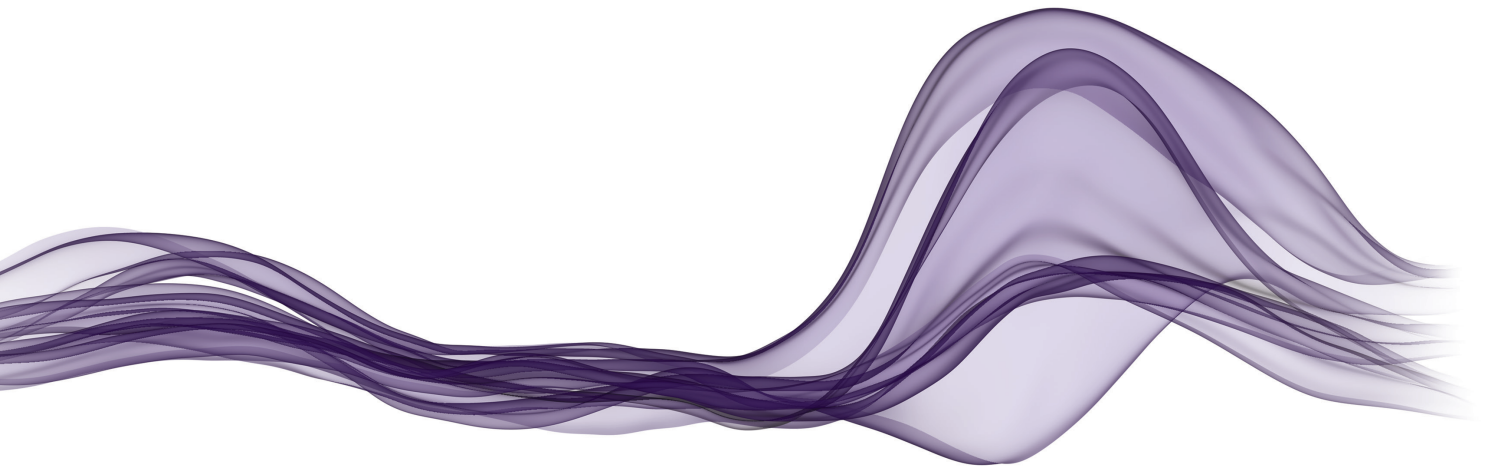


For professional clients only, not suitable for retail investors.

# **Royal London Sustainable Leaders Trust**

## **Annual Report**

For the year ended 31 May 2023



## Contents

Trust Information*	3
Manager's Investment Report*	4
Investment Objective and Policy	4
Risk and Reward Profile	4
Cumulative Performance	5
Investment Review and Outlook	5
Portfolio Statement*	7
Summary of Material Portfolio Changes	8
Comparative Tables	9
Statement of Manager's Responsibilities in Relation to the Report and Financial Statements of the Trust	12
Statement of the Trustee's Responsibilities in Relation to the Financial Statements of the Trust	13
Report of the Trustee to the Unitholders of the Royal London Sustainable Leaders Trust	13
Independent Auditors' Report to the Unitholders of Royal London Sustainable Leaders Trust	14
Statement of Total Return	16
Statement of Change in Net Assets Attributable to Unitholders	16
Balance Sheet	16
Notes to the Financial Statements	17
Distribution Tables	25
Remuneration Policy (Unaudited)	27
General Information	28

\* The Authorised Fund Manager's Report comprises these items (subsequent references to the Manager's Report).

## Trust Information

### Trust Status

The Trustee is HSBC Bank plc which holds the title to the Trust's investments on behalf of unitholders. The Royal London Sustainable Leaders Trust (the Trust) is a "wider-range" investment under the Trustee Investments Act 1961. It is an authorised unit trust scheme under section 243 of the Financial Services and Markets Act 2000 and is a UCITS Scheme under the Financial Conduct Authority Collective Investment Schemes Sourcebook. Copies of the Trust Deed may be inspected at the offices of the Manager: 80 Fenchurch Street, London EC3M 4BY.

### Manager

#### RLUM Limited

80 Fenchurch Street, London EC3M 4BY

Authorised and regulated by the Financial Conduct Authority.

### Directors of the Manager

P. Beamish

P. Bowker (Appointed 1 January 2023)

J.M. Brett (Non-executive Director)

J.S. Glen (Chairman)

J.M. Jackson (Non-executive Director)

M.P. Lewis (Resigned 31 December 2022)

### Trustee

#### HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

### Administrator

#### HSBC Securities Services (UK) Limited

1-2 Lochside Way, Edinburgh Park, Edinburgh EH12 9DT

Authorised and regulated by the Financial Conduct Authority.

### Registrar

#### RLUM Limited

RLUM Limited has delegated responsibility for safekeeping and maintenance of the register to **Capita Life and Pensions Regulated Services Limited**

The Register may be inspected at:

Churchgate House, 56 Oxford Street, Manchester M1 6EU

### Independent Auditors

#### PricewaterhouseCoopers LLP

#### Chartered Accountants and Statutory Auditors

7 More London Riverside, London SE1 2RT

### Investment Adviser

#### Royal London Asset Management Limited

80 Fenchurch Street, London EC3M 4BY

Authorised and regulated by the Financial Conduct Authority.

### Advisory Committee

Benjamin Yeoh (Chairman)

Professor Alex Edmans

Tonia Lovell (Resigned 28 February 2023)

Rachel McEwen (Appointed 29 June 2023)

Nicola Parker

## Manager's Investment Report

The Royal London Sustainable Leaders Trust (the Trust) is an authorised unit trust scheme, the Manager of which is RLUM Limited. The Manager has appointed Royal London Asset Management Limited to undertake the portfolio management for the Trust.

Royal London Asset Management Limited is the fund management arm of The Royal London Group and is independently authorised by the Financial Conduct Authority to provide asset management services.

We have a long and successful history of managing our customers' money and our specialist fund management service offers a distinctive approach to responsible investing across all of the funds that we manage. For example, we fully integrate consideration of financial, environmental, social and governance issues throughout the investment process when selecting companies for investment and we also vote at every Annual General Meeting of companies we hold, the exception being where voting would prevent trading.

### Investment Objective and Policy

The investment objective is to achieve capital growth over the medium term (3–5 years) by investing at least 80% in the shares of UK companies listed on the London Stock Exchange that are deemed to make a positive contribution to society. The Scheme's performance target is to outperform the FTSE® All-Share Index (the "Index") over a rolling 5-year period. Investments in the Trust will adhere to the RLUM Ethical and Sustainable Investment Policy, a copy of which is available on request.

### Risk and Reward Profile



#### About this indicator

- This Synthetic Risk and Reward Indicator (SRRI) is calculated according to European Securities and Markets Authority (ESMA) regulations, to allow investors to compare funds on the same basis. According to this methodology the Trust has been classed as category 6.
- The scale shows that the higher the risk, the higher the potential for greater returns. The numerical indicator which is referenced on the scale, is a measure of how much the unit price of this Trust has risen and fallen (over the last five years) and therefore how much the Trust's returns have varied.
- The Trust is shown in risk category 6 because its unit price has shown a high level of volatility historically. As an investment, bonds are typically more volatile than money market instruments but less volatile than shares. This Trust has historically been solely invested in shares.
- The risk rating has moved from category 5 to category 6 during the year.

#### Investors should note

- The indicator is based on historical data and may not be a reliable indication of the future risk profile of this Trust.
- The lowest rating does not mean 'risk free' and it does not measure the risk that you may suffer a capital loss.
- The risk and reward profile shown is not guaranteed to remain the same and may change over time.
- The Trust may be concentrated in a limited number of securities and, as a result, may be more volatile than more broadly diversified funds.

## Manager's Investment Report (continued)

### Cumulative Performance (% change to 31/05/23)

	1 year total return %	3 year total return %	5 year total return %
Royal London Sustainable Leaders Trust, Class A Income	5.60	23.58	40.57
Royal London Sustainable Leaders Trust, Class B Accumulation	6.55	27.09	46.14
Royal London Sustainable Leaders Trust, Class B Income	6.54	27.03	46.00
Royal London Sustainable Leaders Trust, Class C Accumulation	6.12	25.65	45.10
Royal London Sustainable Leaders Trust, Class C Income	6.16	25.66	45.08
Royal London Sustainable Leaders Trust, Class D Accumulation	6.32	26.21	46.22
Royal London Sustainable Leaders Trust, Class D Income	6.31	26.25	46.18
Royal London Sustainable Leaders Trust, Class E Accumulation	6.29	–	–
Royal London Sustainable Leaders Trust, Class E Income	6.31	–	–
FTSE® All-Share Index	0.44	33.90	15.18
IA UK All Companies	-1.41	24.77	7.77

Class E Accumulation and Class E Income launched on 28 June 2021.

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

Source: Royal London Asset Management Limited and Lipper, as at 31 May 2023. Returns are net of management fees. Investors should note that the total return is calculated on the Trust's official midday price whereas the Trust has been valued as at close of business for the Net Asset Value quoted within the Comparative Table. For further information, including ongoing performance and Trust breakdown information, please refer to the latest factsheet at [www.rlam.com](http://www.rlam.com).

### Investment Review and Outlook

#### Performance overview

For the 12 months to 31 May 2023, the Trust outperformed its FTSE® All-Share Index benchmark. The strong performance reflected something of a return to trend following the invasion of Ukraine by Russia and the rapid increase in interest rates by central banks around the world. Once this began to subside, the strong underlying performance of a number of our investments began to positively influence share prices and therefore the performance of the Trust. Many of the key sustainable trends we see in society, such as digitisation, decarbonisation, and the increased sophistication of medicines for previously untreatable diseases are accelerating. We believe this should be a positive backdrop for the Trust over the long term.

#### Market overview

There was a marked shift in the investment environment in 2022 as the vaccine-enabled 'return to normal' of 2021 led to much higher and more enduring inflation than previously anticipated. As a result, it became clear that central banks would need to raise interest rates much faster and further than previously expected to address inflation. This shook global financial markets, with both fixed income and equities markets falling sharply.

As we moved into 2023, this effect started to ease, with sentiment calmer as it appeared that the major economies had avoided recession and that inflation was moderating. However, expectations shifted with stronger than expected US job market data, leading to fears that interest rates would have to move higher and stay there for longer. The increased volatility this caused was then exacerbated by concerns over the health of the global banking sector following the collapse of Credit Suisse.

## Manager's Investment Report (continued)

### Investment Review and Outlook – continued

#### Portfolio commentary

The Trust's sustainable approach favours companies that we believe offer a net benefit to society through their products and services as well ESG (Environmental, Social and Governance) standards in their operations. This means that it does not invest in some sectors, such as oil & gas, mining and defence. While this creates a mismatch with the benchmark (there are companies in these sectors in the FTSE® All-Share), we believe that the exposure to sectors that offer a net benefit to society is consistent with outperformance over the medium term. We do not invest thematically, but many of our holdings fit well into long-term structural dynamics in the global economy, such as the circular economy, digitisation, electric vehicles, and healthcare.

This can be seen in some of the companies we owned which performed well in the year under review. Sage, a UK software company helping small businesses to digitise, saw its shares rise as growth accelerated. Rentokil Initial, a hygiene and pest control business, benefited from its acquisition of Terminix, a US competitor, which gives it new and significant potential for growth. Schneider Electric, a French engineer, also performed strongly due to its products, which allow the electrification of the energy mix, being in strong demand as net zero targets are embedded across a range of industries. Areas that did not perform as well included property, notably our holding in Segro which is a developer of urban warehouses, as higher interest rates had a negative impact on the sector.

#### Investment outlook

There is considerable uncertainty about the economic outlook for 2023. The US Federal Reserve has continued to raise interest rates and many investors fear that this could tip the US into recession, although economic indicators remain mixed at this stage. The picture is only marginally different in the UK and Europe, although the warm winter and consequent fall in energy prices has been helpful, even if they are still somewhat high in a historical context. Meanwhile, China is experiencing an acceleration in growth due to its surprise removal of Covid-19 restrictions late in 2022.

Nonetheless, we believe the trend towards sustainability remains a strong one, with all companies we meet with pointing to an acceleration both in recent years and since the start of the Ukraine war. Whilst this may seem counterintuitive given the strong performance of oil prices, the need for greater energy security – as well as increased concerns about climate change – is resulting in an acceleration in the demand for renewable energy. Although innovation may be becoming more incremental in the consumer arena, in healthcare it is accelerating. A greater understanding of the immune system as well as genetics, is resulting in a step change in cancer

treatments, amongst other areas. The physical economy is also seeing a renaissance after many years of being overshadowed by the digital world. Electrification is a core part of path to a lower carbon economy and will require a significant investment in infrastructure over many years.

For all investors, especially equity investors, there is a credible case to be made that inflation – and therefore interest rates – will be higher than over the last 10 years. On an incremental and considered basis, we will look to diversify our portfolios towards sectors that we believe will perform well in a higher inflation, higher interest rate environment.

**Mike Fox, George Crowdy and Sebastian Beguelin**  
Trust Managers  
Royal London Asset Management Limited  
31 May 2023

Please note that this commentary is written as at 31 May 2023. For further insights on marketing events or positioning since then, please go to [www.rlam.com](http://www.rlam.com).

This report covers investment performance, activity and outlook. For a wider look at the Trust, our RLUM Annual Assessment of Value Report March 2022 (published July 2022) is available on [www.rlam.com](http://www.rlam.com).

The views expressed are the authors' own and do not constitute investment advice and are not an indication of future Trust performance. Portfolio holdings are subject to change, for information only and are not investment recommendations.

Source: Royal London Asset Management Limited, unless otherwise stated.

## Portfolio Statement

As at 31 May 2023

Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Equities – 98.93% (31/05/22 – 98.41%)</b>			
<b>Denmark – 0.96% (31/05/22- 1.50%)</b>			
Healthcare – 0.96%			
230,719	Novo Nordisk 'B'	29,848	0.96
<b>Total Denmark</b>		<b>29,848</b>	<b>0.96</b>
<b>France – 2.55% (31/05/22 – 1.51%)</b>			
Industrials – 2.55%			
571,271	Schneider Electric	79,271	2.55
<b>Total France</b>		<b>79,271</b>	<b>2.55</b>
<b>Germany – 0.00% (31/05/22 – 1.63%)</b>			
<b>Jersey – 7.71% (31/05/22 – 7.71%)</b>			
Consumer Services – 3.96%			
1,051,590	Ferguson	122,943	3.96
Industrials – 3.75%			
4,113,424	Experian	116,410	3.75
<b>Total Jersey</b>		<b>239,353</b>	<b>7.71</b>
<b>United Kingdom – 80.36% (31/05/22 – 75.67%)</b>			
Basic Materials – 3.35%			
1,471,924	Croda International	89,758	2.89
926,314	Victrex	14,339	0.46
Industrials – 12.38%			
2,613,284	Bunzl	82,136	2.65
405,235	Diploma	12,271	0.39
639,446	Intertek	26,556	0.86
23,400,816	Rentokil Initial	149,438	4.81
19,631,524	Smith (DS)	59,601	1.92
496,944	Spirax-Sarco Engineering	54,291	1.75
Consumer Goods – 5.33%			
2,954,286	Unilever	119,013	3.83
6,432,474	Vistry Group	46,507	1.50
Consumer Services – 11.49%			
7,679,648	Compass Group	169,106	5.45
3,225,068	Greggs	86,561	2.79
4,025,100	RELX	100,990	3.25
Healthcare – 10.85%			
1,546,051	AstraZeneca	180,239	5.81
20,682,623	ConvaTec	41,903	1.35
563,354	Dechra Pharmaceuticals	18,816	0.61
494,336	Genus	12,487	0.40
3,806,466	GSK	51,250	1.65
10,047,315	Haleon	31,971	1.03
Financials – 25.25%			
16,484,111	HSBC	97,339	3.14
12,219,954	Legal & General	27,861	0.90
214,897,884	Lloyds Banking Group	94,920	3.06
1,850,344	London Stock Exchange	158,167	5.09
22,628,192	NatWest Group	58,743	1.89
10,946,588	Prudential	115,596	3.72
7,392,580	Segro	58,948	1.90
18,948,105	Standard Chartered	120,055	3.87
5,848,215	Unite Group	52,312	1.68

Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Utilities – 7.72%</b>			
4,436,096	National Grid	49,041	1.58
1,064,740	Severn Trent	29,515	0.95
8,565,150	SSE	161,025	5.19
<b>Technology – 3.99%</b>			
14,245,454	Sage	124,021	3.99
<b>Total United Kingdom</b>		<b>2,494,776</b>	<b>80.36</b>
<b>United States – 7.35% (31/05/22 – 10.39%)</b>			
Financials – 1.86%			
323,439	Visa 'A'	57,710	1.86
Healthcare – 1.73%			
130,903	Thermo Fisher Scientific	53,721	1.73
Industrials -0.74%			
247,504	Agilent Technologies	23,103	0.74
Technology – 3.02%			
130,818	Microsoft	34,694	1.12
420,173	Texas Instruments	58,934	1.90
<b>Total United States</b>		<b>228,162</b>	<b>7.35</b>

<b>Total value of investments</b>	<b>3,071,410</b>	<b>98.93</b>
<b>Net other assets</b>	<b>33,091</b>	<b>1.07</b>
<b>Total net assets</b>	<b>3,104,501</b>	<b>100.00</b>

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of FCA rules unless otherwise stated.

## Summary of Material Portfolio Changes

For the year ended 31 May 2023

### Significant Purchases

	Cost £'000
Standard Chartered	117,594
HSBC	101,094
NatWest Group	65,782
Visa 'A'	59,615
Unilever	58,526
Lloyds Banking Group	39,868
GSK	31,135
Schneider Electric	20,251
Haleon	18,989
ConvaTec	17,491
<b>Subtotal</b>	<b>530,345</b>
<b>Total cost of purchases, including the above, for the year</b>	<b>650,660</b>

### Significant Sales

	Proceeds £'000
Microsoft	68,954
Alphabet 'A'	53,603
Adidas	46,361
Severn Trent	37,458
Unite Group	34,677
Novo Nordisk 'B'	33,465
Agilent Technologies	33,356
Smith & Nephew	32,097
Legal & General	31,394
GSK	28,136
<b>Subtotal</b>	<b>399,501</b>
<b>Total proceeds from sales, including the above, for the year</b>	<b>793,433</b>



## Comparative Tables

### Class A Income

Change in net assets per unit	31/05/23 (p)	31/05/22 (p)	31/05/21 (p)
Opening net asset value per unit	755.24	753.51	654.63
Return before operating charges*	50.42	19.55	113.92
Operating charges	(9.55)	(10.06)	(9.75)
Return after operating charges*	40.87	9.49	104.17
Distributions on income units	(11.04)	(7.76)	(5.29)
<b>Closing net asset value per unit</b>	<b>785.07</b>	<b>755.24</b>	<b>753.51</b>
* after direct transaction costs of:	0.81	0.87	1.17
<b>Performance</b>			
Return after charges	5.41%	1.26%	15.91%
<b>Other information</b>			
Closing net asset value (£'000)	436,157	439,707	436,705
Closing number of units	55,556,451	58,221,177	57,955,930
Operating charges†	1.26%	1.26%	1.26%
Direct transaction costs	0.11%	0.11%	0.17%
<b>Prices<sup>^</sup></b>			
Highest unit price	814.90	859.00	759.60
Lowest unit price	680.50	719.00	643.90

† The AMC was reduced on 1 January 2021 from 1.50% to 1.25%.

### Class B Accumulation

Change in net assets per unit	31/05/23 (p)	31/05/22 (p)	31/05/21 (p)
Opening net asset value per unit	270.09	264.44	225.78
Return before operating charges*	18.18	6.71	39.58
Operating charges	(1.01)	(1.06)	(0.92)
Return after operating charges*	17.17	5.65	38.66
Distributions on accumulation units	(6.37)	(5.23)	(4.30)
Retained distributions on accumulation units	6.37	5.23	4.30
<b>Closing net asset value per unit</b>	<b>287.26</b>	<b>270.09</b>	<b>264.44</b>
* after direct transaction costs of:	0.28	0.30	0.40
<b>Performance</b>			
Return after charges	6.36%	2.14%	17.12%
<b>Other information</b>			
Closing net asset value (£'000)	15	103	14
Closing number of units	5,200	38,200	5,250
Operating charges	0.38%	0.38%	0.38%
Direct transaction costs	0.11%	0.11%	0.17%
<b>Prices<sup>^</sup></b>			
Highest unit price	295.30	303.80	265.10
Lowest unit price	244.10	254.70	222.90

### Class B Income

Change in net assets per unit	31/05/23 (p)	31/05/22 (p)	31/05/21 (p)
Opening net asset value per unit	231.86	231.35	200.93
Return before operating charges*	15.53	6.01	35.02
Operating charges	(0.89)	(0.94)	(0.85)
Return after operating charges*	14.64	5.07	34.17
Distributions on income units	(5.45)	(4.56)	(3.75)
<b>Closing net asset value per unit</b>	<b>241.05</b>	<b>231.86</b>	<b>231.35</b>
* after direct transaction costs of:	0.25	0.26	0.37
<b>Performance</b>			
Return after charges	6.31%	2.19%	17.01%
<b>Other information</b>			
Closing net asset value (£'000)	214,576	399,777	746
Closing number of units	89,016,116	172,425,176	322,500
Operating charges	0.38%	0.38%	0.38%
Direct transaction costs	0.11%	0.11%	0.17%
<b>Prices<sup>^</sup></b>			
Highest unit price	251.30	264.00	234.20
Lowest unit price	209.60	221.30	198.30

### Class C Accumulation

Change in net assets per unit	31/05/23 (p)	31/05/22 (p)	31/05/21 (p)
Opening net asset value per unit	273.00	268.31	229.95
Return before operating charges*	18.36	6.86	40.24
Operating charges	(2.09)	(2.17)	(1.88)
Return after operating charges*	16.27	4.69	38.36
Distributions on accumulation units	(5.39)	(4.21)	(3.45)
Retained distributions on accumulation units	5.39	4.21	3.45
<b>Closing net asset value per unit</b>	<b>289.27</b>	<b>273.00</b>	<b>268.31</b>
* after direct transaction costs of:	0.29	0.31	0.41
<b>Performance</b>			
Return after charges	5.96%	1.75%	16.68%
<b>Other information</b>			
Closing net asset value (£'000)	1,373,297	1,277,328	930,935
Closing number of units	474,745,694	467,890,819	346,959,819
Operating charges	0.76%	0.76%	0.76%
Direct transaction costs	0.11%	0.11%	0.17%
<b>Prices<sup>^</sup></b>			
Highest unit price	297.40	307.50	269.00
Lowest unit price	246.40	257.60	226.90

## Comparative Tables (continued)

### Class C Income

Change in net assets per unit	31/05/23 (p)	31/05/22 (p)	31/05/21 (p)
Opening net asset value per unit	230.77	230.26	200.00
Return before operating charges*	15.44	5.97	34.88
Operating charges	(1.76)	(1.86)	(1.63)
Return after operating charges*	13.68	4.11	33.25
Distributions on income units	(4.54)	(3.60)	(2.99)
<b>Closing net asset value per unit</b>	<b>239.91</b>	<b>230.77</b>	<b>230.26</b>
* after direct transaction costs of:	0.25	0.27	0.36
<b>Performance</b>			
Return after charges	5.93%	1.78%	16.63%
<b>Other information</b>			
Closing net asset value (£'000)	222,009	229,573	217,281
Closing number of units	92,538,500	99,480,176	94,364,081
Operating charges	0.76%	0.76%	0.76%
Direct transaction costs	0.11%	0.11%	0.17%
<b>Prices<sup>A</sup></b>			
Highest unit price	249.60	262.60	232.70
Lowest unit price	208.30	220.00	197.30

### Class D Accumulation

Change in net assets per unit	31/05/23 (p)	31/05/22 (p)	31/05/21 (p)
Opening net asset value per unit	276.87	271.72	232.51
Return before operating charges*	18.65	6.92	40.74
Operating charges	(1.70)	(1.77)	(1.53)
Return after operating charges*	16.95	5.15	39.21
Distributions on accumulation units	(5.89)	(4.69)	(3.86)
Retained distributions on accumulation units	5.89	4.69	3.86
<b>Closing net asset value per unit</b>	<b>293.82</b>	<b>276.87</b>	<b>271.72</b>
* after direct transaction costs of:	0.30	0.32	0.42
<b>Performance</b>			
Return after charges	6.12%	1.90%	16.86%
<b>Other information</b>			
Closing net asset value (£'000)	420,324	405,926	460,260
Closing number of units	143,057,316	146,611,558	169,390,630
Operating charges	0.61%	0.61%	0.61%
Direct transaction costs	0.11%	0.11%	0.17%
<b>Prices<sup>A</sup></b>			
Highest unit price	302.00	311.70	272.40
Lowest unit price	250.10	261.20	229.50

### Class D Income

Change in net assets per unit	31/05/23 (p)	31/05/22 (p)	31/05/21 (p)
Opening net asset value per unit	230.85	230.34	200.06
Return before operating charges*	15.46	5.96	34.89
Operating charges	(1.42)	(1.49)	(1.30)
Return after operating charges*	14.04	4.47	33.59
Distributions on income units	(4.89)	(3.96)	(3.31)
<b>Closing net asset value per unit</b>	<b>240.00</b>	<b>230.85</b>	<b>230.34</b>
* after direct transaction costs of:	0.25	0.27	0.36
<b>Performance</b>			
Return after charges	6.08%	1.94%	16.79%
<b>Other information</b>			
Closing net asset value (£'000)	416,403	389,853	739,110
Closing number of units	173,504,506	168,878,318	320,881,401
Operating charges	0.61%	0.61%	0.61%
Direct transaction costs	0.11%	0.11%	0.17%
<b>Prices<sup>A</sup></b>			
Highest unit price	249.90	262.70	232.90
Lowest unit price	208.50	220.20	197.50

### Class E Accumulation

Change in net assets per unit	31/05/23 (p)	31/05/22** (p)
Opening net asset value per unit	99.62	100.00
Return before operating charges*	6.62	0.20
Operating charges	(0.52)	(0.58)
Return after operating charges*	6.10	(0.38)
Distributions on accumulation units	(2.13)	(1.59)
Retained distributions on accumulation units	2.13	1.59
<b>Closing net asset value per unit</b>	<b>105.72</b>	<b>99.62</b>
* after direct transaction costs of:	0.11	0.11
<b>Performance</b>		
Return after charges	6.12%	(0.38)%
<b>Other information</b>		
Closing net asset value (£'000)***	21,720	—
Closing number of units	20,544,425	500
Operating charges	0.46%	0.46%
Direct transaction costs	0.11%	0.11%
<b>Prices<sup>A</sup></b>		
Highest unit price	108.70	112.20
Lowest unit price	89.96	93.98

\*\* Class E Accumulation launched on 28 June 2021.

\*\*\* Value is less than £1,000.

## Comparative Tables (continued)

### Class E Income

Change in net assets per unit	31/05/23 (p)	31/05/22** (p)
Opening net asset value per unit	98.07	100.00
Return before operating charges*	6.56	0.24
Operating charges	(0.63)	(0.58)
Return after operating charges*	5.93	(0.34)
Distributions on income units	(2.05)	(1.59)
<b>Closing net asset value per unit</b>	<b>101.95</b>	<b>98.07</b>
* after direct transaction costs of:	0.11	0.11
<b>Performance</b>		
Return after charges	6.05%	(0.34)%
<b>Other information</b>		
Closing net asset value (£'000)***	—	—
Closing number of units	500	500
Operating charges	0.46%	0.46%
Direct transaction costs	0.11%	0.11%
<b>Prices<sup>^</sup></b>		
Highest unit price	106.10	111.60
Lowest unit price	88.57	93.54

\*\* Class E Income launched on 28 June 2021.

\*\*\* Value is less than £1,000.

<sup>^</sup> The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year. The net asset value per unit price is based on the net asset value in the published accounts and may be different due to the prior year end accounting adjustments.

It should be remembered that past performance is not a reliable indicator of future performance and that the value of units, and the income derived from them, can vary.

## Statement of Manager's Responsibilities in Relation to the Report and Financial Statements of the Trust

Financial statements for the year ended 31 May 2023, and this Manager's Report have been prepared in accordance with the rules of the Collective Investment Schemes Sourcebook, published by the Financial Conduct Authority (FCA).

These require the Manager to prepare financial statements for each accounting year which give a true and fair view of the financial affairs of the Trust and of its net revenue and the net capital gains on the property of the Trust for the year.

In preparing the financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the requirements of the Statement of Recommended Practice relating to Authorised Funds and the Trust Deed;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements and;
- prepare accounts on a going concern basis unless inappropriate to do so.

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, Prospectus and the FCA's rules. The Manager has general responsibility for taking such steps as are reasonably open to him to prevent and detect fraud and other irregularities.

## Statement of the Trustee's Responsibilities in Relation to the Financial Statements of the Trust

The Depositary in its capacity as Trustee of Royal London Sustainable Leaders Trust must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors. The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Depositary must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

## Report of the Trustee to the Unitholders of the Royal London Sustainable Leaders Trust

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary of the Trust, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Trust, acting through the AFM:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and
- has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

This report is given on the basis that no breaches are subsequently advised to us by the Auditors before the distribution date. We therefore reserve the right to amend the report in the light of such circumstances.

**HSBC Bank Plc**  
**Trustee of Royal London Sustainable Leaders Trust**  
**8 Canada Square, Canary Wharf, London E14 5HQ**  
**26 July 2023**

# Independent Auditors' Report to the Unitholders of Royal London Sustainable Leaders Trust

## Report on the audit of the financial statements

### Opinion

In our opinion, the financial statements of Royal London Sustainable Leaders Trust (the "Trust"):

- give a true and fair view of the financial position of the Trust as at 31 May 2023 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 May 2023; the Statement of Total Return and the Statement of Change in Net Assets Attributable to Unitholders for the year then ended; the Distribution Tables; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Trust's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Collective Investment Schemes sourcebook requires us also to report certain opinions as described below.

### Manager's Report

In our opinion, the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Responsibilities for the financial statements and the audit Responsibilities of the Manager for the financial statements

As explained more fully in the Statement of Manager's Responsibilities in Relation to the Report and Financial Statements of the Trust, the Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to wind up or terminate the Trust, or has no realistic alternative but to do so.

# Independent Auditors' Report to the Unitholders of Royal London Sustainable Leaders Trust (continued)

## Report on the audit of the financial statements – continued

### Responsibilities for the financial statements and the audit – continued

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Trust/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Trust. Audit procedures performed included:

- Discussions with the Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Manager's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected

in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

#### Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**London**  
**26 July 2023**



## Financial Statements

### Statement of Total Return

For the year ended 31 May 2023

	Note	31 May 2023 £'000	31 May 2022 £'000
Income			
Net capital gains/ (losses)	4	121,982	(20,492)
Revenue	5	84,619	71,184
Expenses	6	(23,456)	(23,696)
Interest payable and similar charges		(2)	(1)
Net revenue before taxation		61,161	47,487
Taxation	7	(673)	(838)
Net revenue after taxation		60,488	46,649
Total return before distributions		182,470	26,157
Distributions	8	(60,490)	(46,719)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>121,980</b>	<b>(20,562)</b>

### Statement of Change in Net Assets Attributable to Unitholders

For the year ended 31 May 2023

	31 May 2023 £'000	31 May 2022 £'000
<b>Opening net assets attributable to unitholders</b>	<b>3,142,267</b>	<b>2,785,051</b>
Amounts receivable on issue of units	333,456	774,747
Amounts payable on cancellation of units	(528,472)	(422,769)
	(195,016)	351,978
Change in net assets attributable to unitholders from investment activities	121,980	(20,562)
Unclaimed distributions	4	–
Retained distribution on accumulation units	35,266	25,800
<b>Closing net assets attributable to unitholders</b>	<b>3,104,501</b>	<b>3,142,267</b>

### Balance Sheet

As at 31 May 2023

	Note	31 May 2023 £'000	31 May 2022 £'000
<b>Assets</b>			
Investments		3,071,410	3,092,340
Current assets:			
Debtors	9	16,316	16,958
Cash and bank balances	10	42,652	60,525
Total assets		3,130,378	3,169,823
<b>Liabilities</b>			
Creditors:			
Other creditors	11	10,571	12,679
Distribution payable		15,306	14,877
Total liabilities		25,877	27,556
<b>Net assets attributable to unitholders</b>		<b>3,104,501</b>	<b>3,142,267</b>

The financial statements were approved on 26 July 2023 and signed on behalf of the Board of the Manager by:

P. Beamish (Director)

J.S. Glen (Director)



# Notes to the Financial Statements

For the year ended 31 May 2023

## 1. Accounting policies

### Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, in compliance with the Financial Conduct Authority's Collective Investments Schemes Sourcebook. They have been prepared in accordance with applicable UK accounting standards, Trust Deed and in accordance with FRS 102 and the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Management Association (now referred to as The Investment Association) in May 2014 (the 2014 SORP) and amended in 2017.

As stated in the Statement of the Manager's Responsibilities in Relation to the Report and Financial Statements of the Trust on page 12, the Manager continues to adopt the going concern basis in the preparation of the financial statements of the Trust.

The accounting policies outlined below have been applied on a consistent basis throughout the year.

### Basis of valuation of investments

The investments of the Trust have been valued at closing bid price on 31 May 2023, the last valuation point in the accounting year.

### Exchange rates

Assets and liabilities in currencies other than sterling are translated into sterling at the rates of exchange ruling at Balance Sheet date, 31 May 2023.

Revenue and expenditure transactions are translated at the rates of exchange ruling at the date of transaction.

### Recognition of revenue

Revenue from equities and non-equity shares is recognised when the security is quoted ex-dividend.

Revenue from stock dividends is treated as distributable.

Other revenue is accounted for on an accruals basis.

Interest on debt securities is accounted for on an effective yield basis.

All revenue is recognised as a gross amount that includes any withholding taxes but excludes any other taxes such as attributable tax credits.

Special dividends are treated as revenue or capital according to the nature of the event giving rise to the payment.

Dividends from UK REITs are split into PID (Property Income Distributions) and Non-PID components for tax purposes. Revenue arising from UK REITs tax-exempt rental business is

colloquially known as PID revenue and is taxable in the hands of the Trust. A UK REIT may also carry out activities that give rise to taxable profits and gains, it is from these that the REIT will make a Non-PID distribution, these are treated for tax purposes in the same way as dividends from UK companies.

### Treatment of expenses

RLUM Limited's annual charge (A Income 1.25%; B Income and B Accumulation 0.37%; C Income and C Accumulation 0.75%; D Income and D Accumulation 0.60%; E Income and E Accumulation 0.45%) is calculated daily on the total net assets of the Trust.

All expenses are charged against revenue, except those relating to the purchase and sale of investments, which are charged against capital.

Expenses include irrecoverable VAT.

### Taxation

Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses.

Where overseas tax has been deducted from overseas revenue, then that tax can, in some instances, be set off against the corporation tax payable, by way of double tax relief.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only to the extent they are regarded as recoverable.

It should be noted that legislation governing taxation is liable to change. The information contained in this report is based upon RLUM Limited's understanding of the current position.

## 2. Distribution policy

The excess of revenue over expenses and taxation charged to revenue, as disclosed in the financial statements, is distributable to unitholders. Any revenue deficit is deducted from capital.

Distributions are paid to unitholders semi-annually.

For Accumulation units, this revenue is not distributed but automatically reinvested in the Trust and is reflected in the value of the units.

Equalisation applies only to units purchased during the distribution period (Group 2 units). It represents the accrued revenue included in the purchase price of the units. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the units for Capital Gains Tax purposes.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2023

### 3. Risk management policies

In pursuing the Trust's objectives set out on page 4, the Trust holds a number of financial instruments which include:

- Equity shares held in accordance with the Trust's investment objectives and policies.
- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations.

The main risks arising from the Trust's financial instruments are market price risk, foreign currency risk, credit risk and liquidity risk. Numerical disclosures have been made for foreign currency risk only due to this risk being considered significant. These risks remain unchanged from the prior year.

#### Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements. The asset allocation of the portfolio is reviewed in order to manage the risk associated with particular industry sectors whilst continuing to follow the investment objective. An individual Fund Manager has responsibility for monitoring the existing portfolio selected in accordance with an overall asset allocation parameter and seeks to ensure that the Trust invests in a diversified fashion, to reduce the risk of exposure to a significant event affecting a single security, or industry, subject to the obligation under the Trust's objective to invest in securities which share certain characteristics.

#### Foreign currency risk

The value of the Trust's investments may be affected by currency movements since a proportion of the assets are denominated in currencies other than sterling. The Manager may, from time to time, seek to mitigate the effect of these currency exposures by covering a proportion of its investments using forward currency hedges. However, no such arrangements were in place at the year end. The Trust may also be subject to short-term exposure to exchange rate movements, for example where there is a delay between dealing and subsequent settlement. However, the Manager considers that this does not pose a significant risk given the short-term nature of this exposure. The risk of currency movements on the income property of the Trust is minimised by converting income received in foreign currency into sterling on the date of transaction.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis. Certain transactions in securities that the Trust enters into expose it to the risk that a counterparty will not deliver the investment for a purchase, or cash for a sale after the Trust has fulfilled its responsibilities. The Trust only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty and these are reviewed on an ongoing basis.

#### Liquidity risk

The Trust's assets comprise mainly readily available realisable securities, which can be sold to meet funding requirements if and when necessary. The main liability of the Trust is the redemption of any units that investors wish to sell. Liquidity risk, mainly derived from the liability to unitholders, is minimised through holding cash and readily realisable securities which can meet the usual requirements of unit redemptions.

#### Other risks

##### Potential implications of an epidemic and/or a pandemic

Epidemics and pandemics such as Covid-19, can seriously disrupt the global economy and markets. Pandemics and similar events could also have an acute effect on individual issuers or related groups of issuers and could adversely affect securities markets, interest rates, auctions, secondary trading, ratings, credit risk, inflation, deflation and other factors relating to a Trust's investments or the Manager's operations and the operations of the Manager and the Company's service providers.

##### The Ukraine situation

The Ukraine conflict and its consequences, including economic sanctions on Russia, are having a significant impact on global financial markets and commodity pricing. The Manager is closely monitoring the associated geopolitical risks in relation to inflation, volatile markets and security pricing. Please refer to the Manager's Investment Reports for commentary on the impact and outlook.

The Trust has no direct exposure to Russian companies and the Manager is complying with all restrictions and sanctions issued by the relevant authorities.

Risk disclosure breakdown is available on page 22.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2023

### 4. Net capital gains/(losses)

	31 May 2023 £'000	31 May 2022 £'000
<b>The net capital gains/(losses) during the year comprise:</b>		
Non-derivative securities	121,843	(20,552)
Currency gains	147	64
Activity fees	(8)	(4)
<b>Net capital gains/(losses)</b>	<b>121,982</b>	<b>(20,492)</b>

### 5. Revenue

	31 May 2023 £'000	31 May 2022 £'000
UK dividends	61,828	52,339
Overseas dividends	10,753	9,822
Property revenue from REITs	2,800	2,274
Bank interest	1,039	70
Stock dividends	8,199	6,679
<b>Total revenue</b>	<b>84,619</b>	<b>71,184</b>

### 6. Expenses

	31 May 2023 £'000	31 May 2022 £'000
<b>Payable to the Manager, associates of the Manager and their agents:</b>		
Manager's annual charge	23,169	23,380
<b>Payable to the Trustee, associates of the Trustee and their agents:</b>		
Trustee's fee	181	205
Safe custody charges	91	97
	272	302
<b>Other expenses</b>		
Audit fee	15	14
	15	14
<b>Total expenses</b>	<b>23,456</b>	<b>23,696</b>

Audit fee £14,886 (31/05/22: £13,636) inclusive of VAT.

### 7. Taxation

#### a) Analysis of charge for the year

	31 May 2023 £'000	31 May 2022 £'000
Reclaimable tax written off	115	30
Windfall overseas tax recoveries	(25)	–
Overseas tax	583	808
<b>Current tax charge for the year</b>	<b>673</b>	<b>838</b>

#### b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (31/05/22: lower) than the standard rate of corporation tax in the UK for a unit trust of 20%.

The differences are explained below:

Net revenue before taxation	61,161	47,487
Corporation tax 20% (31/05/22: 20%)	12,232	9,497
Effects of:		
Revenue not subject to taxation	(16,155)	(13,768)
Current year expenses not utilised	3,923	4,271
Reclaimable tax written off	115	30
Windfall overseas tax recoveries	(25)	–
Overseas tax	583	808
<b>Current tax charge for the year</b>	<b>673</b>	<b>838</b>

#### c) Factors that may affect future tax charges

At the year end, there is a potential deferred tax asset of £27,358,000 (31/05/22: £23,435,000) in relation to surplus management expenses. It is unlikely the Trust will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the year or the prior years.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2023

### 8. Distributions

The distributions/accumulations take account of income received on the issue of units and income deducted on the cancellation of units and comprise:

	31 May 2023 £'000	31 May 2022 £'000
<b>Accumulation Units</b>		
Interim	13,128	8,442
Final	22,138	17,358
	35,266	25,800
<b>Income Units</b>		
Interim	8,707	7,045
Final	15,306	14,877
	24,013	21,922
	<b>59,279</b>	<b>47,722</b>
Add: Amounts deducted on cancellation of units	2,703	1,406
Deduct: Amounts received on creation of units	(1,492)	(2,409)
<b>Net distribution for the year</b>	<b>60,490</b>	<b>46,719</b>
The difference between the net revenue after taxation and the distribution paid is as follows:		
Net revenue after taxation	60,488	46,649
Equalisation on conversions	2	70
<b>Net distribution for the year</b>	<b>60,490</b>	<b>46,719</b>

### 9. Debtors

	31 May 2023 £'000	31 May 2022 £'000
Amount receivable for issue of units	2,795	4,701
Sales awaiting settlement	2,815	–
Accrued revenue	10,348	11,853
Overseas tax recoverable	358	404
<b>Total debtors</b>	<b>16,316</b>	<b>16,958</b>

### 10. Cash and bank balances

	31 May 2023 £'000	31 May 2022 £'000
Cash and bank balances	42,652	60,525
<b>Total cash and bank balances</b>	<b>42,652</b>	<b>60,525</b>

### 11. Other creditors

	31 May 2023 £'000	31 May 2022 £'000
Amount payable for cancellation of units	1,605	4,772
Purchases awaiting settlement	6,860	5,909
Accrued expenses	2,106	1,998
<b>Total other creditors</b>	<b>10,571</b>	<b>12,679</b>

## Notes to the Financial Statements (continued)

For the year ended 31 May 2023

### 12. Reconciliation of number of units

	Class A Income
Opening units at 01/06/22	58,221,177
Units issued	1,750,600
Units cancelled	(3,961,100)
Units converted	(454,226)
<b>Closing units at 31/05/23</b>	<b>55,556,451</b>

	Class B Accumulation	Class B Income
Opening units at 01/06/22	38,200	172,425,176
Units issued	1,600	4,748,700
Units cancelled	(34,600)	(87,976,100)
Units converted	–	(181,660)
<b>Closing units at 31/05/23</b>	<b>5,200</b>	<b>89,016,116</b>

	Class C Accumulation	Class C Income
Opening units at 01/06/22	467,890,819	99,480,176
Units issued	48,095,600	10,045,000
Units cancelled	(39,265,700)	(18,136,400)
Units converted	(1,975,025)	1,149,724
<b>Closing units at 31/05/23</b>	<b>474,745,694</b>	<b>92,538,500</b>

	Class D Accumulation	Class D Income
Opening units at 01/06/22	146,611,558	168,878,318
Units issued	33,756,200	20,309,400
Units cancelled	(38,483,200)	(17,130,800)
Units converted	1,172,758	1,447,588
<b>Closing units at 31/05/23</b>	<b>143,057,316</b>	<b>173,504,506</b>

	Class E Accumulation	Class E Income
Opening units at 01/06/22	500	500
Units issued	20,543,925	–
Units cancelled	–	–
Units converted	–	–
<b>Closing units at 31/05/23</b>	<b>20,544,425</b>	<b>500</b>

All classes within the Unit Trust have the same rights on winding up.

### 13. Contingent liabilities and outstanding capital commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (31/05/22: same).

### 14. Related party transactions

The Manager is a related party to the Trust as defined by Financial Reporting Standard FRS 102 'Related Party Disclosures' and is named on page 3. Fees received by the Manager are disclosed in note 6 of the financial statements. By virtue of the Regulations governing authorised unit trusts, the Manager is party to every transaction in respect of units of the Trust, which are summarised in the Statement of Change in Net Assets Attributable to Unitholders and within note 8, Distributions, for the revenue element.

Any amounts due to or from the Manager at the end of the accounting year are disclosed in notes 9 (Debtors) and 11 (Other Creditors).

At the year end £834,000 (31/05/22: £2,012,000) was due to RLUM Limited. These amounts are included in amounts receivable for issue of units in note 9 and amounts payable for cancellation of units and accrued expenses in note 11.

At the year end, 1.34% (31/05/22: 0.98%) of the units in issue were held by RLUM Limited.

The Royal London Mutual Insurance Society Limited is the ultimate parent of RLUM Limited.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2023

### 15. Risk disclosures

The policies applied to the management of risk disclosures are set out on page 18.

The fair values of the Trust's assets and liabilities are represented by the values shown in the balance sheet on page 16. There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

The only interest bearing assets are cash balances of £42,652,247 (31/05/22: £60,525,148) which earn interest by reference to SONIA or international equivalents. This equates to 1.37% of the current Net Asset Value and 1.93% of the previous years.

Interest risk is considered insignificant so no sensitivity analysis is required (31/05/22: same).

The Trust's currency exposure is analysed below:

Currency	31 May 2023 £'000	31 May 2022 £'000
Sterling	2,642,326	2,666,513
Danish krone	30,012	47,505
Euro	79,495	100,542
Swiss franc	1	1
US dollar	352,667	327,706
<b>Total</b>	<b>3,104,501</b>	<b>3,142,267</b>

If sterling to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the Trust would have decreased by £46,218,000 (31/05/22: £47,575,000). If sterling to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the Trust would have increased by £46,218,000 (31/05/22: £47,575,000). These calculations assume all other variables remain constant.

The profile of the currency is as follows:

Currency	Investments 31 May 2023 £'000	Net Other Assets/ (Liabilities) 31 May 2023 £'000	Total 31 May 2023 £'000
Sterling	2,611,186	31,140	2,642,326
Danish krone	29,848	164	30,012
Euro	79,271	224	79,495
Swiss franc	–	1	1
US dollar	351,105	1,562	352,667
<b>Total</b>	<b>3,071,410</b>	<b>33,091</b>	<b>3,104,501</b>

Currency	Investments 31 May 2022 £'000	Net Other Assets/ (Liabilities) 31 May 2022 £'000	Total 31 May 2022 £'000
Sterling	2,619,599	46,914	2,666,513
Danish krone	47,285	220	47,505
Euro	98,572	1,970	100,542
Swiss franc	–	1	1
US dollar	326,884	822	327,706
<b>Total</b>	<b>3,092,340</b>	<b>49,927</b>	<b>3,142,267</b>

If market prices had increased by 10% as at the balance sheet date, the net asset value of the Trust would have increased by £307,141,000 (31/05/22: £309,234,000). If market prices had decreased by 10% as at the balance sheet date, the net asset value of the Trust would have decreased by £307,141,000 (31/05/22: £309,234,000). These calculations assume all other variables remain constant.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2023

### 16. Portfolio Transaction Costs

For the year ended 31 May 2023

Analysis of total purchases costs	Value £000	Commissions £000	%	Taxes £000	%	Other Expenses £000	%	Total £000
Equity transactions	639,432	272	0.04	2,066	0.32	691	0.11	642,461
Corporate actions	8,199	–	–	–	–	–	–	8,199
<b>Total</b>	<b>647,631</b>	<b>272</b>		<b>2,066</b>		<b>691</b>		<b>650,660</b>

Analysis of total sales costs	Value £000	Commissions £000	%	Taxes £000	%	Other Expenses £000	%	Total £000
Equity transactions	793,715	278	0.04	–	–	4	–	793,433
<b>Total</b>	<b>793,715</b>	<b>278</b>		<b>–</b>		<b>4</b>		<b>793,433</b>

Commissions, taxes and fees as % of average net assets

Commissions	0.02%
Taxes	0.07%
Other expenses	0.02%

For the year ended 31 May 2022

Analysis of total purchases costs	Value £000	Commissions £000	%	Taxes £000	%	Other Expenses £000	%	Total £000
Equity transactions	722,812	309	0.04	2,629	0.36	299	0.04	726,049
Corporate actions	8,326	–	–	–	–	–	–	8,326
<b>Total</b>	<b>731,138</b>	<b>309</b>		<b>2,629</b>		<b>299</b>		<b>734,375</b>

Analysis of total sales costs	Value £000	Commissions £000	%	Taxes £000	%	Other Expenses £000	%	Total £000
Equity transactions	374,070	162	0.04	–	–	–	–	373,908
<b>Total</b>	<b>374,070</b>	<b>162</b>		<b>–</b>		<b>–</b>		<b>373,908</b>

Commissions, taxes and fees as % of average net assets

Commissions	0.02%
Taxes	0.08%
Other expenses	0.01%

In the case of shares, commissions and taxes are paid by the Trust on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.04% (31/05/22: 0.07%).

## Notes to the Financial Statements (continued)

For the year ended 31 May 2023

### 17. Fair value of investments

The fair values of the Trust's assets and liabilities are represented by the values shown in the balance sheet. There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

The fair value of investments has been determined using the following hierarchy :

- Category 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Category 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Category 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### For the year ended 31 May 2023

Category	1 £000	2 £000	3 £000	Total £000
<b>Investments</b>				
Equities	3,071,410	–	–	3,071,410
<b>Total</b>	<b>3,071,410</b>	<b>–</b>	<b>–</b>	<b>3,071,410</b>

#### For the year ended 31 May 2022

Category	1 £000	2 £000	3 £000	Total £000
<b>Investments</b>				
Equities	3,092,340	–	–	3,092,340
<b>Total</b>	<b>3,092,340</b>	<b>–</b>	<b>–</b>	<b>3,092,340</b>

### 18. Events after the balance sheet date

Subsequent to the Trust's period end, 31 May 2023, factors such as inflation and the Ukraine situation could cause the Trust to be impacted by resulting volatility in stock markets and adverse investor sentiment.

These events have given rise to a non-adjusting subsequent event. The net asset value (NAV) of the Trust as at 21 July 2023 was £3,155,520,249. The impact of the market movements on the Trust's NAV between the end of the reporting period 31 May 2023 and the date of which the financial statements were authorised for issue was 0.36%.

There have been no significant redemptions during this period.

1 June 2023 the annual management charge was reduced for Class A shares from 1.25% to 1.15%.



## Distribution Tables

For the year ended 31 May 2023

### Distribution in pence per unit

#### Interim

Group 1: Units purchased prior to 1 June 2022

Group 2: Units purchased between 1 June 2022 and 30 November 2022

	Net Income	Equalisation	Distribution paid 31/01/23	Distribution paid 31/01/22
<b>Class A Income</b>				
Group 1	3.4527	–	3.4527	2.0206
Group 2	1.8053	1.6474	3.4527	2.0206
<b>Class B Accumulation</b>				
Group 1	2.3864	–	2.3864	1.9636
Group 2	0.9056	1.4808	2.3864	1.9636
<b>Class B Income</b>				
Group 1	2.0594	–	2.0594	1.7167
Group 2	1.4004	0.6590	2.0594	1.7167
<b>Class C Accumulation</b>				
Group 1	1.9184	–	1.9184	1.4416
Group 2	0.8415	1.0769	1.9184	1.4416
<b>Class C Income</b>				
Group 1	1.6215	–	1.6215	1.2362
Group 2	0.6478	0.9737	1.6215	1.2362
<b>Class D Accumulation</b>				
Group 1	2.1498	–	2.1498	1.6778
Group 2	0.7669	1.3829	2.1498	1.6778
<b>Class D Income</b>				
Group 1	1.7923	–	1.7923	1.4226
Group 2	0.9615	0.8308	1.7923	1.4226
<b>Class E Accumulation</b>				
Group 1	0.7539	–	0.7539	0.5060
Group 2	0.7539	0.0000	0.7539	0.5060
<b>Class E Income</b>				
Group 1	0.7395	–	0.7395	0.5060
Group 2	0.7395	0.0000	0.7395	0.5060

## Distribution Tables (continued)

For the year ended 31 May 2023

### Distribution in pence per unit

#### Final

Group 1: Units purchased prior to 1 December 2022

Group 2: Units purchased between 1 December 2022 and 31 May 2023

	Net Income	Equalisation	Distribution payable 31/07/23	Distribution paid 31/07/22
<b>Class A Income</b>				
Group 1	7.5829	–	7.5829	5.7349
Group 2	4.8835	2.6994	7.5829	5.7349
<b>Class B Accumulation</b>				
Group 1	3.9864	–	3.9864	3.2652
Group 2	3.9864	0.0000	3.9864	3.2652
<b>Class B Income</b>				
Group 1	3.3902	–	3.3902	2.8449
Group 2	1.4524	1.9378	3.3902	2.8449
<b>Class C Accumulation</b>				
Group 1	3.4751	–	3.4751	2.7645
Group 2	2.0339	1.4412	3.4751	2.7645
<b>Class C Income</b>				
Group 1	2.9169	–	2.9169	2.3600
Group 2	1.8203	1.0966	2.9169	2.3600
<b>Class D Accumulation</b>				
Group 1	3.7446	–	3.7446	3.0163
Group 2	2.5136	1.2310	3.7446	3.0163
<b>Class D Income</b>				
Group 1	3.0987	–	3.0987	2.5372
Group 2	1.8747	1.2240	3.0987	2.5372
<b>Class E Accumulation</b>				
Group 1	1.3774	–	1.3774	1.0860
Group 2	1.1140	0.2634	1.3774	1.0860
<b>Class E Income</b>				
Group 1	1.3137	–	1.3137	1.0800
Group 2	1.3137	0.0000	1.3137	1.0800

## Remuneration Policy (unaudited)

The Manager of the Royal London Sustainable Leaders Trust, RLUM Limited (the “Manager”), is subject to remuneration policies, procedures and practices (together, the “Remuneration Policy”), as required under the UCITS Directive (“UCITS V”).

RLUM Limited and Royal London Asset Management Limited (“the Investment Adviser”) are wholly-owned subsidiaries of The Royal London Mutual Insurance Society, “the Group”. The Group maintains a “Group Remuneration Policy” that RLUM has adopted which is consistent with and promotes sound and effective risk management. It is designed so that risk-taking is not encouraged where this is inconsistent with the risk profile of the Trust. The Group has appointed a Remuneration Committee which is made up of Non-Executive Directors and is advised by independent remuneration consultants. The Committee considers the advice by independent remuneration consultants and the Committee considers implications of remuneration policies across the Group, including for RLUM.

The Group Remuneration Policy adopts performance related pay, with salaries determined by reference to both individual performance and the external market. Total Remuneration comprises a mix of fixed remuneration (including base salary and benefits), and variable remuneration in the form of incentives. The ratio between fixed and variable pay (both short-term and long-term incentives) is set by the Group to ensure that there is appropriate balance between the fixed and variable remuneration components. The Group Remuneration Policy applies to staff of the Manager whose professional activities have a material impact on the risk profile of the Manager or the Trust, and ensures that an individual cannot be involved in determining or approving their own remuneration.

The Group Remuneration Policy is updated annually and reviewed and approved by the Remuneration Committee. The most recent review included updates to reflect the Investment Firms Prudential Regime (IFPR) which came into effect on 1 January 2022, changes to the ratio of fixed to variable remuneration permitted within the Group as well as minor wording changes to improve clarity. Details of the Remuneration Policy (provided in the form of the RLUM Limited Summary Remuneration Policy), includes a description on the purpose of the policy, how remuneration and benefits are calculated and the identity of persons responsible for awarding the remuneration and benefits. The RLUM Limited Summary Remuneration Policy will be made available for inspection and a paper copy may be obtained, free of charge, at the registered office of the Manager, upon request.

The Manager delegates investment management of the Trust to Royal London Asset Management Limited (the “Investment Adviser”). In accordance with the Group Remuneration Policy and the requirements of UCITS V, staff working for the Investment Adviser are not remunerated by the Manager, they are subject to remuneration requirements which are equally as effective as those in place under the UCITS Directive.

RLUM has a board of directors (the “Directors”). The Directors of the Company who are also employees of the Group, do not receive any remuneration in respect of their services as directors of RLUM. The other Non-Executive Directors receive fixed remuneration in respect of their services which is set at a level determined by the Group and is not performance related. None of the Directors are currently in receipt of variable remuneration in respect of their services as Directors of RLUM.

RLUM has no employees and therefore there are no other controlled functions, or senior management employed and paid by RLUM. However, for the financial year ending 31 December 2022, total remuneration of £11,887,148 was paid to 23 individuals whose actions may have a material impact on the risk profile of RLUM, of which £3,199,729 related to senior management. The fixed element of the total remuneration mentioned above is £4,624,325 and the variable element is £7,262,823. For the 2021 prior year’s comparison, a total remuneration of £5,261,118 was paid to 15 individuals whose actions may have a material impact on the risk profile of RLUM, of which £3,547,603 related to senior management. The fixed element of the total remuneration mentioned above is £2,969,292 and the variable element is £2,291,826.

## General Information

### Pricing and dealing

The prices of units are determined by reference to the underlying market value of the net assets of the Trust at the relevant valuation point.

Unit prices are normally calculated daily however, if the markets are exceptionally volatile the Manager may conduct more frequent valuations to reflect any significant changes in the value of the Trust's underlying assets.

Dealing prices, yields and details of risks and charges are published on our website, [www.rlam.com](http://www.rlam.com).

Dealing in units is conducted between 8.00am and 8.00pm Monday to Friday, and 8.00am and 5.00pm on Saturday.

### Buying units

Units may be bought on any business day via an authorised intermediary or from the Manager by telephoning the Customer Contact Centre on 0345 605 7777\*. Alternatively, an application form should be completed and sent to the Manager. Units will be allocated at the price ruling at the next valuation point and a contract note confirming the purchase will be issued immediately thereafter.

### Selling units

Units may be sold back to the Manager on any business day. Units can be sold by telephone by calling the Customer Contact Centre on 0345 605 7777\* or alternatively by putting your request in writing. The Manager will allocate the price calculated from the next valuation point and issue a contract note as evidence of the sale.

\* In the interest of investors' protection all telephone calls to the Dealing desk are recorded.

### Cancellation rights

Where a person purchases units the Conduct of Business Sourcebook Instrument 2001 (as amended from time to time) may give the investor the right to cancel the relevant purchase within 14 days of receipt of the requisite notice of a right to cancel. The right to cancel does not arise if (a) the investor is not a private customer, (b) the investor is not an execution-only customer, (c) the agreement to purchase is entered into through a direct offer financial promotion, or (d) the agreement is entered into under a customer agreement or during negotiations (which are not ISA or PEP related) intended to lead to a client agreement.

### UK taxation

The Trust is not subject to Capital Gains Tax.

Capital gains established when units are sold are subject to tax, but at the present time investors are not liable unless their total gains in any tax year from all disposals of assets exceed the Capital Gains Tax annual exemption.

Investors receive a distribution of net revenue with tax credit equivalent to the lower rate of income tax. Where the distribution is retained within the Trust and not paid out it should be included in investors' Income Tax Return. No further liability exists if they pay at the lower or basic rate, but higher rate tax will be payable as appropriate. If investors are not liable to tax they are unable to claim repayment of the tax credit from HM Revenue & Customs.

The treatment of distributions as received by corporate unit holders is detailed on the reverse of dividend warrants. The first distribution received after purchasing units includes an amount described as 'equalisation'. This is a repayment of capital and is therefore not liable to Income Tax. It should, however, be deducted from the initial cost of units for Capital Gains Tax purposes.

### Authorisation

RLUM Limited is authorised and regulated by the Financial Conduct Authority and is a subsidiary of The Royal London Mutual Insurance Society Limited.

### Trust Reports and Prospectus

Copies of the latest yearly and half yearly financial statements and copies of the Prospectus may be obtained from RLUM Limited upon request.

### Advisory Committee

This is an independent committee providing oversight of both the universe of companies approved for the Sustainable Trusts and general environmental, social and governance issues that may impact it. It provides an independent check that all companies invested in the Trusts meet the stated objectives and criteria.

### Transfer of units

Subject to any restrictions in the Trust's Prospectus, unitholders are entitled to transfer their units to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the Manager for this purpose.

Completed instruments of transfer must be returned to the Manager in order for the transfer to be registered by the Manager.

The Manager currently accepts transfers of title (including renunciation of title in the case of a redemption) to units on the authority of electronic instructions transmitted via electronic messaging systems.

Please refer to the Trust's Prospectus for further information.

## Contact Us

For further information  
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This report is issued by Royal London Asset Management Limited on behalf of RLUM Limited.

Royal London Asset Management Limited provides asset management services to RLUM Limited which is the authorised Manager of the Royal London Sustainable Leaders Trust.

Royal London Asset Management Limited, registered in England and Wales number 2244297; Royal London Unit Trust Managers Limited, registered in England and Wales number 2372439. RLUM Limited, registered in England and Wales number 2369965. All of these companies are authorised and regulated by the Financial Conduct Authority.

The marketing brand also includes Royal London Asset Management Funds Plc, an umbrella company with segregated liability between sub-funds, authorised and regulated by the Central Bank of Ireland, registered in Ireland number 364259, and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority are available from us on request. Registered office: 70 Sir John Rogerson's Quay, Dublin 2, Ireland.

All of these companies are subsidiaries of The Royal London Mutual Insurance Society Limited, registered in England and Wales number 99064. Registered office: 80 Fenchurch Street, London EC3M 4BY.

Ref: SREP RLAM PD 0279

