



# Responsible Investment Report N°12

## A fieldtrip to the Royal Mint

*"Gold is the only asset class that is not simultaneously someone else's liability."*

*Richard Russell, financial author*

Since 2005, physical gold has played an important role in helping Troy's Multi-Asset Strategy protect and grow our investors' irreplaceable capital.

Gold has generated an 11% compound annual return (in GBP terms)<sup>1</sup> since it was first held. It has provided downside protection during periods of market stress and guarded against the erosion of wealth during times of inflation.

The Multi-Asset Strategy's most recent [Investment Report](#) explains the insurance and diversification gold has provided and the reasons behind its recent all-time high of ~\$2400/oz.

A question we are often asked is how holding gold fits with our approach to responsible investing, which we have addressed in this quarter's report

### Troy's approach to responsibly sourced gold

The gold extraction process can degrade land, causing issues such as resource depletion, biodiversity loss, pollution, and water scarcity.

Furthermore, mining activities in certain areas can displace indigenous communities and involve heightened human rights risks such as unsafe working conditions and child labour.

In the Multi-Asset Strategy we predominantly gain exposure to gold through physically backed exchange traded commodities (ETCs), where each security has an entitlement to the physical gold held by the ETC.

When Troy launched its Ethical Multi-Asset Strategy in 2019, we wanted to find a way to invest in gold, given its return profile and the unique role it plays in portfolios, without contravening internationally agreed environmental standards or global conventions on human rights.

We committed to minimise exposure to gold mined prior to 2012, that is the date after which it can be ascertained that gold has been sourced in compliance with the London Bullion Market Association's (LBMA) Responsible Gold Guidance.

Today, all the ETCs<sup>2</sup> in which Troy invests solely hold gold that has been minted post-2012, meaning they both adhere to the LBMA's Good Delivery List<sup>3</sup> and meet the Responsible Gold Guidance.

### Engaging with the London Bullion Market Association

Troy has engaged with the ETC providers in the past to encourage their holdings of gold meet the LBMA's Good Delivery standards for responsible sourcing. Our engagement gained momentum and escalated to the LBMA itself.

Along with our ETC providers, we met with the LBMA to encourage them to tighten their standards when it comes to disclosure around social and environmental factors, setting a roadmap that can be easily monitored by stakeholders, focusing more on the environmental impact of gold mining, and improving the environmental footprint across the entire gold supply chain.

The LBMA has launched an Instant Review Process and, since our engagement, published Version 9 of its Responsible Gold Guidelines. The latest guidelines include several improvements such as a more granular breakdown of supply chain risks and improved guidance for refiner reporting. These more stringent due diligence

<sup>1</sup> Compound annual return of the gold price from February 2005 to January 2024.

<sup>2</sup> This includes Blackrock iShares Physical Gold, Invesco Physical Gold, and the Royal Mint Responsibly Sourced Physical Gold.

<sup>3</sup> No Russian refiners are included on the LBMA's Good Delivery List.



policies now provide guidance to better mitigate against human rights abuses associated with gold extraction, transport and trade.

We will continue to participate in a dialogue with the LBMA and other industry bodies when the opportunities arise. Our aim is to continue to be an advocate for responsible sourcing practices.

### Raising the bar - the Royal Mint Responsibly Sourced Gold ETC

In 2023, the Trojan Ethical Fund initiated a holding in the Royal Mint's Responsibly Sourced Physical Gold ETC which has 100% responsibly sourced gold.<sup>4</sup>

Improving our own standards when it comes to the sustainability of our gold exposure exemplifies Troy's commitment to raise the bar.

The ETC was launched in 2020 and is comparatively smaller in size than Troy's other ETC providers with c. \$800m in gold. This compliments the existing holding in Invesco's Physical Gold ETC.

In April, my colleague Marc de Vos and I visited the Royal Mint in Llantrisant, South Wales to learn more about the mint's sustainability journey and the recycling gold process.



An image of me just about lifting a 12.5kg bar of gold at the Royal Mint Experience in Llantrisant, South Wales.

The Royal Mint's Responsibly Sourced Physical Gold ETC is the only product backed by a sovereign mint and contains 100% LBMA post-2019 good delivery bars. It is also increasing its exposure to gold bars sourced after 2021, which adhere to the latest Responsible Gold Guidance standards (version 9).<sup>5</sup> This is achieved through the ongoing process of creation and redemption of shares. The bars meet the highest sourcing standards. It also represents the first ETC backed by the Royal Mint with 55% of the gold from recycled sources.<sup>6</sup>

### Recycled gold

There are around 205,239 tonnes of gold above ground<sup>7</sup>, roughly equal to the total amount of gold mined throughout human history. However, comparatively little of that gold is repurposed or recycled.

Any gold waste generated during production is recovered and repurposed to create recycled gold. For example, the Royal Mint produced the 2012 Olympic medals and continues to produce other medals and commemorative pieces.



The Royal Mint has a process to refine recycled gold to separate it from other materials via a chemical process without degrading the quality of the gold. This gold is then repurposed, including to create new high standard gold bars.

<sup>4</sup>All gold held adheres to the LBMA's Responsible Gold Guidance.  
<sup>5</sup><https://www.lbma.org.uk/publications/responsible-gold-guidance-v9>  
<sup>6</sup><https://hanetf.com/fund/rmau-the-royal-mint-responsibly-sourced-physical-gold-etc/>  
<sup>7</sup>How Much Gold Has Been Mined? | World Gold Council



Recycling is important because the gold mining process is very energy intensive and can have detrimental effects to land. According to the World Gold Council, the extraction and grinding of ore requires almost 90,000 KJ per gram of gold produced, equivalent to one day of electricity for the average American home.<sup>8</sup>

Recycled gold produces on average 95% less carbon emissions than mined gold according to Life Cycle Assessments commissioned by the World Gold Council. This includes gold recovered from industrial waste.

The Royal Mint Responsibly Sourced Gold ETC aims to increase its use of recycled gold on a best endeavours basis. It is the first ETC globally to incorporate recycled gold as a sizeable portion of its holdings and we are pleased to be a supporter of its sustainability journey.

The Royal Mint is working towards an ambitious target of 100% recycled gold by 2030. This will go some way in helping the mint achieve its longer-term goal of achieving net zero by 2050.

We were given an opportunity to speak with the mint's Head of Sustainability and a member of their Supply Chain Management team. There is no blueprint for a decarbonisation pathway for a sovereign mint, nor very much guidance on aligning precious metals sourcing and refining with a net zero target. These limitations have not deterred the Royal Mint's ambition.

While there remains progress to be made, we have been encouraged by the willingness our ETC providers, the LBMA and the Royal Mint have displayed to make incremental progress towards more responsibly sourced gold.

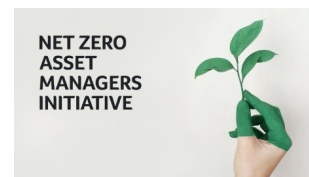
Sian-Azilis Evans

May 2024

<sup>8</sup> Gold and climate change: The energy transition | World Gold Council



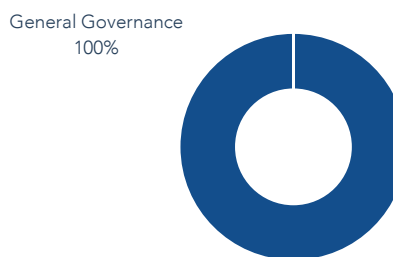
## Responsible Investment at Troy



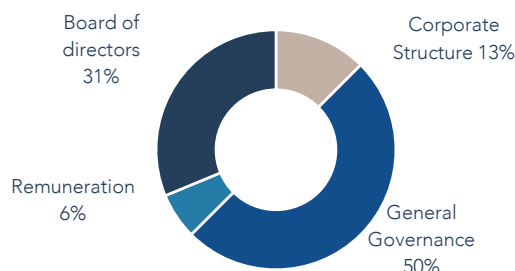
### Voting

	2023	2024 YTD
Meetings Held	98	19
Meetings voted	100%	100%
Meetings with at least 1 vote Against Management*	48%	37%
<b>Management Resolutions</b>		
Total management resolutions	1,618	294
Votes against management resolutions*	8%	5%
Votes against ISS recommendations	10%	4%
<b>Shareholder Resolutions</b>		
Total shareholder resolutions	79	3
Votes in favour of shareholder resolutions	43%	33%
Votes against ISS recommendations	24%	0%

### VOTES IN FAVOUR OF SHAREHOLDER RESOLUTIONS – 2024 YTD

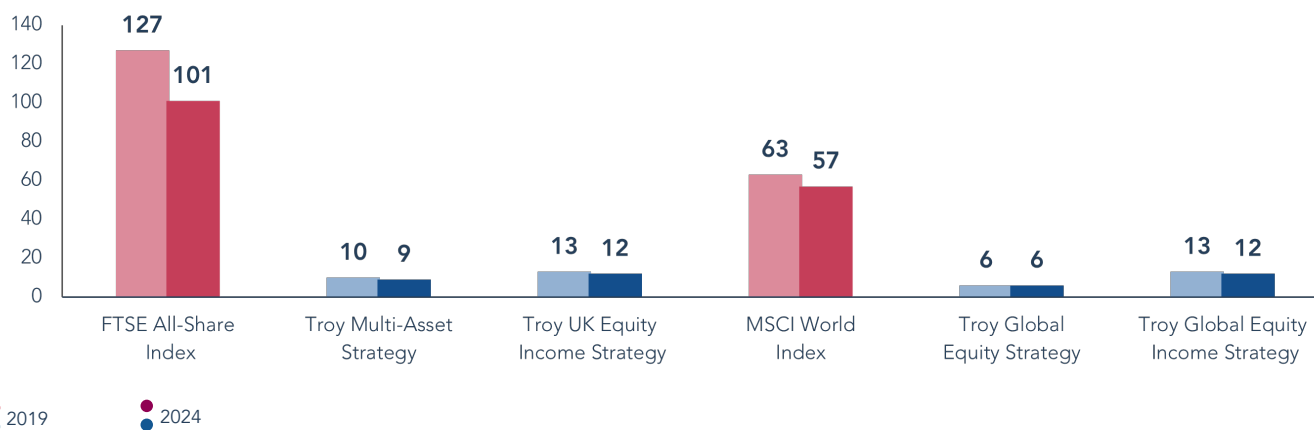


### VOTES AGAINST MANAGEMENT RECOMMENDATIONS - 2024 YTD (BOTH MANAGEMENT AND SHAREHOLDER RESOLUTIONS)



Source: ISS. \*This may include abstentions.

## Portfolio Carbon Footprint (Tons CO2e / \$M Invested)\*

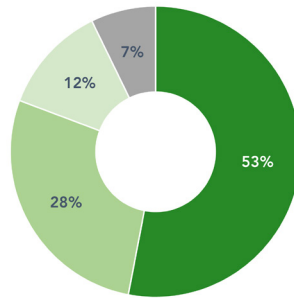
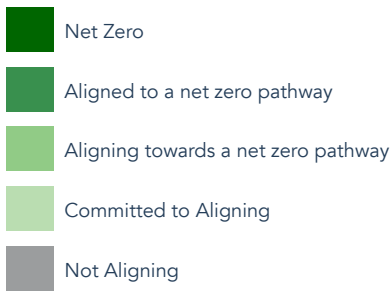


\*Carbon footprint calculated using market capitalisation.

Source: MSCI ESG Manager, portfolio holdings as at 31 March 2024. Asset Allocation subject to change. The information provided is based on calculations relating to corporate securities only. Where the fund holds other asset classes, such as cash or government bonds, these are excluded from the portfolio. The information shown relates to a mandate which is representative of, and has been managed in accordance with, the relevant Troy Strategy. Past performance is not a guide to future performance. All references to benchmarks are for comparative purposes only.



## Current Alignment of our Holdings with Net Zero by 2050

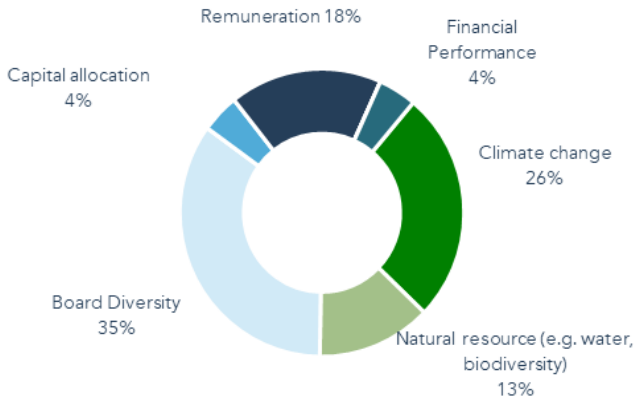


Troy has categorised all equity holdings along an alignment maturity scale in accordance with the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework methodology. This reflects our commitment under the Net Zero Asset Managers initiative to ensure our investments are on track to meet global ambitions of net zero emissions by 2050 or sooner. We currently have engagements underway with all holdings deemed 'not aligning', our goal is to move all holdings along the climate maturity scale with the ultimate objective of achieving net zero. For further information please see [Troy's Climate Change Mitigation Policy](#).<sup>2</sup>

Source: MSCI ESG Manager

## Engagements

2023 - 23 ENGAGEMENTS WITH 18 COMPANIES



Source: Troy Asset Management, 31 March 2024. \*Environmental, Social or Governance

<sup>2</sup>This policy outlines the consideration of climate risk in our investment decision-making process for mandates which meet the criteria under Article 8 of the European Union's Sustainable Finance Disclosure Regulation



## Disclaimer

Further information relating to how ESG integration is applied to the fund can be found in the fund prospectus and investor disclosure document. For further information relating to Troy's approach to company voting and engagement, please see Troy's Responsible Investment and Stewardship Policy available at [www.taml.co.uk](http://www.taml.co.uk).

Please refer to Troy's Glossary of Investment terms [here](#). The document has been provided for information purposes only. Neither the views nor the information contained within this document constitute investment advice or an offer to invest or to provide discretionary investment management services and should not be used as the basis of any investment decision. The document does not have regard to the investment objectives, financial situation or particular needs of any particular person. Although Troy Asset Management Limited considers the information included in this document to be reliable, no warranty is given as to its accuracy or completeness. The views expressed reflect the views of Troy Asset Management Limited at the date of this document; however, the views are not guarantees, should not be relied upon and may be subject to change without notice. No warranty is given as to the accuracy or completeness of the information included or provided by a third party in this document. Third party data may belong to a third party.

Past performance is not a guide to future performance. All references to benchmarks are for comparative purposes only. Overseas investments may be affected by movements in currency exchange rates. The value of an investment and any income from it may fall as well as rise and investors may get back less than they invested. The investment policy and process of the may not be suitable for all investors. Tax legislation and the levels of relief from taxation can change at any time. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities.

All reference to FTSE indices or data used in this presentation is © FTSE International Limited ("FTSE") 2024. 'FTSE ®' is a trademark of the London Stock Exchange Group companies and is used by FTSE under licence.

Issued by Troy Asset Management Limited (registered in England & Wales No. 3930846). Registered office: 33 Davies Street, London W1K 4BP. Authorised and regulated by the Financial Conduct Authority (FRN: 195764) and registered with the U.S. Securities and Exchange Commission ("SEC") as an Investment Adviser (CRD: 319174). Registration with the SEC does not imply a certain level of skill or training.

© Troy Asset Management Limited 2024